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An Evaluation of the Competitiveness of the Palestinian Olivewood Industry in Bethlehem Governorate

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An Evaluation of the Competitiveness of the Palestinian Olivewood Industry in Bethlehem Governorate

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Dedication

This work is dedicated to my inspiring husband Isam and my dear children George, Siraj, and Jude, who supported me throughout my study.

Declaration

I Certify that this thesis submitted for the degree of Master, is the result of my own research, except where otherwise acknowledged, and that this study (or any part of the same) has not been submitted for a higher degree to any other university or institution

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Date: 26/8/2019

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The past year of my MBA research was an overwhelming experience, which opened up a new world around me. I was interested in doing my research in the olivewood industry due to the scarcity of research and statistics about the Palestinian handicrafts generally and the olivewood specifically. I want to thank those who assisted me with my research.

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Abstract

Olivewood carving is one of the most vital Palestinian handicrafts with the most significant profit margin. Bethlehem, Beit Jala, and Beit Sahour are the primary three cities famous in the governorate are specialized in producing and designing olivewood carving products.

The olivewood industry is part of the Palestinian handicraft sector. It is also part of the tourism sector. Therefore, changes in the tourism sector translate directly into the handicraft sector. As such, unstable political situations affect the olivewood industry negatively. In order to enhance development and sustainability, it is essential that the olivewood workshops must increase the cooperation between them and with other stakeholders in the industry.

Based on Porter's theory of competitive advantage, the main determinants of competitive advantage are; factor conditions, demand conditions, related and supporting industries, firm strategy, structure, and rivalry, chance and the role of the government.

The main objective of the study is to increase the understanding of the determinants of the competitiveness of the olivewood industry by applying Porter's diamond model to specify other factors than those suggested in the diamond model that could influence the competitiveness of the olivewood industry.

The research followed a descriptive survey approach. An in-depth interviews and structured questionnaire were utilized to gather data. The questionnaire targeted 110 owners of olivewood workshops in Bethlehem governorate. The questions were organized to achieve the objectives of the research. The results obtained from the survey were summarized, and results were analyzed using the descriptive analysis. Percentages and trends were displayed in tables.

To measure the spread of the data over the sample population, mean scores and standard deviations were calculated. Correlation coefficients between indicators of innovation and attributes of the diamond were calculated to analyze the magnitudes of the relationship between them.

The study revealed that although olivewood industry has stable factor conditions, steady local demand under unstable political conditions, artisan's attempts to develop and innovate. However, they are not sufficient for deriving and sustaining competitive advantage in the domestic and international markets.

Based on the diamond model, a primary recommendation that could alleviate weaknesses related to marketing, competition, capacity building, quality and price control, and other issues is to establish an effective and powerful institution that can lead and improve the olive wood industry. Besides, an increase of the cooperation among stakeholders in the olivewood industry, directing the government policies, would attract investments, in the olivewood cluster.

Contents

Declaration i

Acknowledgment ii

Abstract iii

List of Tables x

List of Figures xiii

List of Appendices xiv

Abbreviations xv

Chapter One: 1

Background: 1

1.1 Palestinian handicrafts 3

1.1.1 Types of Palestinian handicrafts 4

1.1.2 Handicrafts statistics 4

1.1.3 Tourism statistics 5

1.1.4 Olivewood 7

1.1.5 Olivewood statistics 8

1.1.6 Raw materials 9

1.1.7 The Market of the olivewood 10

1.2 Research problem 11

1.3 Research objectives 13

1.4 Research questions 13

1.5 Scope of the research 14

1.6 Relevance of the research 14

Chapter Two: 15

Literature review 15
2.1 Porter’s theories on competitive advantage 15
2.2 Competitiveness 17
2.3 Innovation 18
2.4 Clusters 19
2.5 Tourism cluster 22
2.6 Handicrafts 23
2.7 Tourism and handicrafts.. 24
2.7.1 Marketing of handicrafts 26
2.8 Theoretical framework 26
2.8.1 Factor conditions 30
2.8.2 Demand conditions 31
2.8.3 Firm Strategy, structure & rivalry 32
2.8.4 Related and supporting industries. 33
2.8.5 Government and chance 34
Chapter Three: 36
Analysis of the Industry Environment & The value Chain: 36
3.1 Diamond of the olivewood handicrafts industry 36
3.1.1 Factor conditions 36
3.1.2 Demand conditions 37
3.1.3 Firm strategy, structure and rivalry 39
3.1.4 Related and supporting industries 40
3.1.5 Government 42
3.1.6 Chance 42

3.2 Olivewood handicrafts value chain..43
3.2.1 The production stage...43
3.2.2 Marketing & selling...44
3.2.3 Market positioning...45
Chapter Four:..47
Methodology & Research design:..47
4.1 Research design..47
4.2 Unit of analysis...48
4.3 Population of the study..48
4.4 Identifying the study variables...49
4.5 Sampling...49
4.6 Data collection..50
4.7 Questionnaire components...51
4.7.1 Profile of the respondents..51
4.7.2 Information about the activities of the value chain.............................52
4.7.3 Competitiveness of the olivewood carving industry............................52
4.7 Data analysis and interpretation...53
4.8 Reliability & validity..53
4.9 Study limitations...54
Chapter Five:...55
Analysis and Discussions:...55
5.1 Findings of the research..55
5.2 Part One: Profile of respondents production units..................................55

5.1.1 Information about the owner of the workshop and the workshop 56

5.1.2 Information about the activities of the Value Chain: 59

5.3 Part Two: Competitiveness of the olivewood carving industry 63

5.3.1 Related and supporting industries 64

5.3.2 Factor Conditions 66

5.3.3 Firm Strategy, Structure and Rivalry 68

5.3.4 Demand Conditions 70

5.4 Part Three: Correlations results 72

5.4.1 Attitudes toward Innovation and Related and Supporting Industries 73

5.4.2 Attitudes towards Innovation and Factor conditions: 74

5.4.3 Attitudes toward Innovation and Demand conditions: 75

5.4.4 Attitudes toward Innovation and Firm strategy, structure and rivalry: 77

5.4.5 One- way ANOVA 78

5.4.6 Government 80

5.5 Discussion of the major findings 80

Chapter Six: 85

Evaluations and Future Insights of the Olivewood Industry: 85

6.1 Workshop owner’s profiles 85

6.2 Characteristics of the workshops 85

6.3 Drivers of competitive advantage 86

6.3.1 Factor conditions 86

6.3.2 Demand conditions 87
6.3.3 Related and supporting industries 87
6.3.4 Firm strategy, structure and rivalry 88
6.4 Summary 89
6.5 Future insights 90
Chapter Seven: 92
Conclusions and Recommendations: 92
7.1 Conclusions 92
7.2 Recommendations to workshops owners and artisans for production 94
7.3 Recommendations to concerned governmental and official parties for marketing 94
7.4 Recommendations to concerned governmental and official entities to reduce taught competition 95
7.5 Recommendations to concerned governmental and official entities for the competitiveness and sustainability 95
References 97
الملخص: 108
Appendices 110
Appendix 1: Questionnaire in Arabic 110
Appendix 2: Questionnaire in English 116

List of Tables

Table 1.1: Total number of employees and enterprises working in the handicraft sector in 2017 5
Table 1.2: Number of establishments and employees working in the tourism sector in 2017 5
Table 1.3: The number of hotel guests in the West Bank during the first half of the years 2016-2018 6
Table 1.4: The distribution of the hotel guests by region 6
Table 1.5: Olive wood workshops that are registered in the Traditional Tourism Industrial Association – Palestine (TTIAP) in the governorate of Bethlehem (2013) 8
Table 1.6: Olivewood workshops registered in the Municipalities in 2019 9
Table 5.1: Percentage of the charactaristics of the owners and workshops 57
Table 5.2: The percentage of the daily working hours in the workshop 59
Table 5.3: The percentage of each selling destination 59
Table 5.4: The percentage of the method of receiving payments whether Cash or Postponed checks or on sales. 60
Table 5.5: The Percentage of whether the workshop participate in local and international exhibitions 60
Table 5.6: The percentage of workshops that have online marketing and selling page 61
Table 5.7: The percentage frequency of selling olivewood products online 61
Table 5.8: The distribution of the origin of raw material 62
Table 5.9: The number of yearly contacts between the workshop owners and raw materials intermediaries 62

Table 5.10 Cross-tabs for the importance of elements of Related and Supporting Industries 65
Table 5.11: Cross-tabs for elements of the Factor Conditions........................... 67
Table 5.12: Cross-tabs for the role of elements of the Firm Strategy, Structure and Rivalry 69
Table 5.13: Cross-tabs for the role of elements of the demand Conditions 71
Table 5.14: Correlation results between the attributes of the diamond 72
Table 5.15: The correlation results between indicators of innovation and supporting and related industries... 73
Table 5.16: The correlation results between indicators of innovation and factor conditions 74
Table 5.17: The correlation results between indicators of innovation and demand conditions... 76
Table 5.18: The correlation results between indicators of innovation and firm strategy, structure and rivalry 77
Table 5.19: One-way ANOVA analysis of variance of product, process and marketing innovation by the characteristics of the workshop 78
Table 5.20: Percentages, mean values and standard deviations of respondent's attitudes toward tax. 80
Table 5.21: Percentages, mean values and standard deviations of respondent's attitudes towards the availability of training courses 81
Table 5.22: Percentages, mean values and standard deviations of the role of making agreements with suppliers. 82
Table 5.23: Percentages, mean values and standard deviations of respondent's attitudes towards the role of feedback in production.................... 82
Table 5.24: Percentages, mean values and standard deviations of the role of chance when there is political stability... 82

Table 5.25: Correlation results between selling internationally, receiving cash payments, online page and online marketing and selling 84
Table 5.26: Percentages, mean values and standard deviations of respondent's attitudes towards the role of the over pricing by souvenir stores in reducing demand. 84

List of Figures

Figure 1.1: Types of Palestinian handicrafts. 4
Figure 1.2: Sales channels of the olivewood handicrafts. Ministry of Tourism Unpublished data March 13, 2019 11
Figure 2.1: Porter Diamond Model (1990) 28
Figure 2.2: Determinants of Competitiveness Porter 2014 29
Figure 2.3 Factor conditions 30
Figure 2.4 Sources of demand conditions 32
Figure 2.5 Firm Strategy, Structure & Rivalry 33
Figure 2.6 Related and supporting industries 34
Figure 3.1: Factor Conditions 37
Figure 3.2: Demand Conditions 38
Figure 3.3: Firm Strategy, Structure and rivalry 40
Figure 3.4: Related and Supporting industries 41
Figure 3.5: Market positioning for the olivewood industry 45

List of Appendices

Appendix 1: Questionnaire in Arabic 110
Appendix 2: Questionnaire in English 116

Abbreviations

PCBS: Palestinian Central Bureau of Statistics.

UNESCO: United Nations Educational, Scientific and Cultural Organization

UNWTO: United Nations World Tourism Organization

WTO: World Tourism Organization

W.B: West Bank

G.S: Gaza Strip

Paltrade: Palestine Trade Center

TTIAP: Traditional Tourism Industrial Association- Palestine

BCCI: Bethlehem Chamber of Commerce and Industry

SWOT: Strengths, weaknesses, Opportunities and Threats

MOTA: Ministry Of Tourism and Antiques

NGO: Non-governmental organizations

ICC: International Chamber of Commerce

SD: Standard Deviation

CV: Coefficient of variation

Chapter One:

Background:

Handicraft industry plays significant role in the development of the Palestinian economy. The historical and religious importance of Bethlehem transforms the Holy Land into one of the most famous attractions for Christian pilgrims. Traditional handicrafts have always been a source of income for many Palestinian families in Bethlehem Governorate. Furthermore, its role in representing and maintaining culture, tradition, and heritage (Khoury, 2014).

According to the United Nations Educational, Scientific and Cultural Organization (UNESCO, 2003), traditional handicrafts are the most tangible manifestation of intangible cultural heritage. Moreover, many people still prefer handicraft products to 'High tech' items since handicrafts represent cultural values and accumulated knowledge of craftspeople.

Handicrafts are goods produced by artisans, either entirely by hand or with the help of manual or mechanical equipment. In producing handicrafts, the artisan contribution remains the most substantial component of the finished product. Handicrafts are made from raw materials and can be produced in unlimited numbers. Moreover, artisanal products have some unique features, like utilitarian, aesthetic, artistic, creative, culturally attached, decorative, functional, traditional, religiously, and socially symbolic and significant (UNESCO, 1997).

Sales of handicrafts can bring substantial revenue to the country. Tourists spend 15-20% of their total expenditure on gifts, clothing, and souvenirs. Furthermore, souvenirs, which are produced by indigenous in the local destination, are positively affecting the local economy. Many countries have markets full of shops specialized in selling traditional handicrafts. These souvenirs markets are very essential because they generate income for local producers and create an exciting shopping atmosphere for tourists (Kotler, Bowen, & Makens 2006).

Even though, the handicraft industry is not attractive to job seekers, it offers a job opportunity for women and other marginalized segments of society (Hammed, 2011).

Handicrafts are also part of the tourism expenditure. Tourism Expenditure as defined by the (PCBS, 2016) is “the amount paid for the purchase of consumer goods and services, as well as valuables, for private use, gifting, and tours. These include Visitors expenses themselves, as well as expenses paid or reimbursed by a third party”.

Analyzing and studying tourists shopping behavior can help in improving planning, marketing, sales, expenditures, and opportunities in the industry (Oh, Cheng et al, 2004). Moreover, handicrafts industry is part of the economic and cultural self-determination despite the assumption that handicrafts are irrelevant to post-industrial economies (Gelya, 1996).

The UNESCO recommended that the concerned authorities should make use of the handicrafts sector as a priority in their national development plans. By establishing the UNESCO crafts prize from 1990 to 2005, the UNESCO has been a significant stimulator for the creation of original models. Since 2001, the UNESCO Award of Excellence for Handicrafts played an essential role in the promotion of quality handicrafts and the commercialization of handicrafts internationally.

To generate high returns, the handicrafts sector should be managed and developed appropriately by the participation of governmental, non-governmental organizations (NGOs) and the private sector. Building one official body contributes to the development of the handicrafts sector. The official body can be responsible for the marketing of handicrafts, capacity building of artisans and providing studies, and research related to the industry (Arinat, 2016).

1.1 Palestinian handicrafts

Handicrafts are considered one of the significant components of the tourism sector in Palestine. In particular, Bethlehem throughout centuries remained one of the central locations for Christian pilgrimage, which facilitated the success of Palestinian handicrafts. As such, during political and economic stability, there will be an increase in the number of foreign tourists visiting the Holy Land and thus increase in the production and sales of handicrafts (Khoury, 2014).

Handicrafts industry is part of the Palestinian industrial sector. Moreover, it has a potential in the export market and can capitalize on the unemployed skilled labor. The rapid growth of the Palestinian industry, in general, was notable during the nineties. However, political uncertainty has adverse effect on all Palestinian industries (USAID, 2009). Exports were (and still are) an excellent economic ambassador for the Palestinian economy. In 2015, the exports of handicrafts were $1.7 million, where 21% of the exports were to the Israeli market and 30% exported to Europe, USA, and Arab countries. The rest was sold locally to tourists who visited the Holy Land.[1] Palestinian handicrafts producers sell their products mainly in the local market to incoming tourists (ICC, 2013).

Palestinians developed their handicrafts by increasing the variety of articles. Al-Barghouti (2014) in her article "Palestinian handicrafts" identifies handicrafts as a significant part of Palestinian culture and heritage. Moreover, handicrafts are representors of the creativity of the Palestinian people over the past 2000 years. Despite all the circumstances that caused a decline in the handicrafts industry, Palestinians passed their legacy from one generation to another. Olivewood and mother of pearl were and still are directed to Christian religious handicrafts. Whereas, the designs of the ceramics and glassware are derived from both cultural and spiritual roots. The models include decoration items like vases, water glasses, and cups.[2]

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[1] PALTRAD Priority Economic Sectors. https://www.paltrade.org/en_US/page/priority-economic-sectors. Accessed online October20, 20018

[2] Personal interview with Mr. Salim Ateeq. Olive wood and Mother of pearl trainer at Terra Santa olive wood training school in Bethlehem. March 28, 2019

1.1.1 Types of Palestinian handicrafts

Palestinian handicrafts industry offers diversified product portfolio since Palestine's rich culture, religious significance, and political status inspire artisans in producing crafts. There are eighteen types of handicrafts in the West Bank (W.B.) and Gaza Strip (G.S.). Among the most significant Palestinian handicrafts are embroidery, olivewood, glass, ceramics/pottery, and mother of pearl (Figure 1.1). While 81% the handicrafts producers are concentrated in Bethlehem, and Hebron and 19% are located in G.S., a tiny percentage is located in Jericho (Khoury, 2014).

Figure 0.1: Types of Palestinian handicrafts.

1.1.2 Handicrafts statistics

Statistics about the numbers of enterprises and employees working in the handicrafts sector are shown in table 1.1 as obtained from the publications of the Palestinian central bureau of statistics (PCBS) for the year 2017. This accounts for 6.3% of the total employees in the Tourism sector. According to these statistics, the ratio between female to male employees is about one to eight, and the average number of employees per enterprise is 3.3 employees. Thus, it is evident that the handicrafts sector is characterized by being comprised mostly of small businesses with a vast majority of male employees.

Table 0.1: Total number of employees and enterprises working in the handicraft sector in 2017

Number of enterprises	Males	Female
442	1294	156

Source: PCBS (2017), Results of the Palestinian Population, Housing and Establishments Census 2017.

Handicrafts account for less than 1% of the total Gross domestic product (GDP) in 2009. According to the informal figures, the volume of sales of Palestinian handicrafts in 2008 reached up to six million American dollars, whereas the formal numbers hardly reach one million American dollars (USAID, 2009).

1.1.3 Tourism statistics

The number of establishments and employees operating in the Tourism sector is shown in table 1.2 as obtained from the statistics of the PCBS. According to the results of the Palestinian Population, Housing and Establishments Census 2017, 11,943 establishments were operating in the Tourism sector in Palestine during 2017 with 36,861 employees. This accounts for 8.3% of the total number of employees in the Palestinian establishments.

Table 0.2: Number of establishments and employees working in the tourism sector in 2017

Number of establishments	Number of employees
11,943	36,861

Source: PCBS (2017), Results of the Palestinian Population, Housing and Establishments Census 2017.

The majority (62.9%) of the employees in the Tourism sector work in food and beverage services. Tourists visit Palestine to explore culture, history and religious places. Interestingly, food is an integral part of the travel experience, and Palestine is famous for its delicious oriental dishes that represent culture. Residents are renowned for their hospitality and tasty recipes. This creates job opportunities for those who live near touristic places like Bethlehem and Hebron.[3]

During the first half of 2018, there were more than 3.1 million visits to tourist sites in the W.B. The number of hotel guests in the W.B. during the first half of the year 2016-2018 is shown in table 1.3.

Table 0.3: The number of hotel guests in the West Bank during the first half of the years 2016-2018

Nationality	2016	2017	2018
Palestine	21,991	20,961	17,119
Palestinian 1948	26,382	33,875	30,549
Asia	37,211	54,427	61,114
USA & Canada	17,998	24,247	24,463
European Union	56,557	96,274	139,033
Other EU Count.	16,369	14,204	14,062
Other Countries	17,237	15,847	15,082
Total	193,745	259,835	301,422

Source: PCBS (2018), PCBS & MOTA : The occasion of the World Tourism Day, 27/09/2018

A significant increase in the number of hotel guests, especially from Asia (64%) from the year 2016 to the year 2018.

Table 0.4: The distribution of the hotel guests by region

Hotels Region	Percentage of the hotel guests
South Of the W.B	68.7%
Jerusalem	18.1%
Middle of West Bank (Ramallah & Al-Bireh, Jericho)	5.4%
North of West Bank	7.8%

Source: PCBS (2018), PCBS & MOTA : The occasion of the World Tourism Day, 27/09/2018

[3] Personal Contact Ms. Nancy Ghanem Ministry of Tourism & Antiquities Bethlehem, March 11, 2019

Most inbound holidays were to Bethlehem governorate comprising 35% of the visits, followed by Jericho governorate at 30%, and Nablus and Jenin governorates at 13% and 11% respectively.

There is a continuous rise in the number of W.B Hotel Guests in the first half of 2016 to 2018. In contrast, the number of enterprises and employees working in the manufacture and sale of handicrafts and souvenirs is still considered low compared to other tourism subsectors.

Although Bethlehem and Hebron are often a flashpoint for tensions, they are generally very attractive Palestinian touristic cities. This leads to Hosting 80% of the essential Palestinian handicrafts. Most of which are family- owned businesses (ICC, 2013).

According to the PCBS in 2010, Hebron was the first city in terms of gross domestic product in Palestine. It is famous for ceramics, pottery and glassblowing factories. Handmade unique patterns are produced through generations of family owned businesses. Bethlehem is renowned for mother of pearl, olivewood, and embroidery. The later handicrafts are very important and are estimated to comprise nearly half of the handicraft production in Palestine.

1.1.4 Olivewood

Although the oldest olive trees were rooted in Palestine as far back as 6000 years ago, it is commonly believed that the use of olivewood in handicrafts started only a few decades ago. The Franciscan Fathers were the first to introduce Olivewood handicrafts to the Christians of Bethlehem in the 15th century as a religious profession. The first products were rosaries and crucifixes. Since then, it has become the main handicraft of Bethlehem area. Most of the figures represent biblical personalities and stories.[4] Salman (1986) pointed out the role of the olivewood industry in the economic growth of Bethlehem since the seventeenth and eighteenth century. At that time, Olivewood, and mother of pearl factories started supplementing Bethlehem's traditional agriculture and trading economy.

[4] Personal contact Mr. Samer Baboon, Director of Terra Santa Vocational Training School in Bethlehem. April 4, 2019

Olivewood accounts for 35% of the handicrafts products, stone and mosaics 22%, embroidery 17%, ceramic 12% and the rest of the silver, candles, carpets, bamboo and others 14% (USAID, 2009).

1.1.5 Olivewood statistics

It is hard to estimate the precise number of olivewood workshops as well as the exact number of individuals working in producing olivewood handicrafts. Many olivewood workshops are not registered officially. Moreover, many artisans produce from their own houses.[5]

According to the PCBS, statistics for the year 2017 there were 181 olive wood workshops in Bethlehem governorate.

Khoury (2014) in her research “Handicraft Industries in Bethlehem District” said, “Roughly speaking, there are around 260 olive wood workshops in the Governorate of Bethlehem including tiny and simple workshops operating from houses”. According to the same research, the following statistics were given.

Table 0.5: Olivewood workshops that are registered in the Traditional Tourism Industrial Association – Palestine (TTIAP) in the governorate of Bethlehem (2013)

Location	Number	Percentage
Beit Jala	19	22%
Bethlehem	22	26%
Beit Sahour	35	41%
Villages and refugee camps	9	11%
Total	85	100%

Source: (Khoury, 2014)

[5] Personal Contact Ms. Nancy Ghanem, Director of Tourist Handcrafts Department, Ministry of Tourism & Antiquities, Bethlehem March5, 2019

Table 0.6: Olivewood workshops registered in the Municipalities in 2019

City	Number of registered olivewood workshops	Percentage
Bethlehem Municipality	20	22%
Beit Jala Municipality	13	14%
Beit Sahour Municipality	55	62%

Source: Research data from Bethlehem, Beit Jala, Beit Sahour Municipalities

The results of 2019 indicate that the olivewood industry is concentrated in Beit Sahour city.

It is worth mentioning that most of the olivewood workshops in Bethlehem area are owned and operated by family members. This reduces the competitive ability of those workshops in terms of professionalism and financing (Khoury, 2014). Only 23.5% of the olivewood workshops are formally registered in the membership of Bethlehem chamber of commerce and industry (BCCI) in the year 2013 (Khoury, 2014).

1.1.6 Raw materials

The cuts of the young olive trees and the trunks of the old fruitless trees are the primary sources of the raw olivewood, which is used to produce the olivewood handicrafts.

The majority (86%) of the raw olive wood is obtained from northern areas of W.B especially, from Jenin, Salfit, and Nablus. More than 80% of olive wood artisans use top quality of raw olive wood in carving handicrafts (Khoury, 2014).

The cost of one ton of raw olivewood is approximately 1800 shekels and sometimes increases during high touristic seasons like Christmas.[6]

[6] Personal contact Mr. Issa Salamah Workshop owner Beit Sahour September 20, 2018

Most Palestinian artisans produce olivewood in small to medium workshops with low technology, local raw materials. Quantities produced are upon demand from souvenir shops owners.[7]

1.1.7 The Market of the olivewood

The major three markets for olive wood products are the local market, the Arab markets, and the foreign markets. Around half (50%) of the olivewood handicrafts are commercialized through souvenir stores in Bethlehem area. There are 112 souvenir stores registered in the Ministry Of Tourism in 2019. Almost 40% of the olive wood products are exported to the United States and Europe. The rest of these products are sold to the Arab market, such as Jordan and some countries of the Arab Gulf.[8]

The owners of the olivewood factories and workshops sell their products mainly to the souvenir showrooms that are located in Bethlehem and Jerusalem. The artisans rarely participate in local and international exhibitions whenever they have the chance (figure 1.2). Marketing is one of the main obstacles to the handicrafts sector.[9]

Larg collections of olive wood handicrafts represent religious figures, occasions, etc. that are used in decorations, especially during Christmas time. However, both tourists and locals make use of some olivewood items in their daily life like kitchen and dining tools, boxes, and keys hangers. Sometimes feedback from tourists helps in the innovation of new products and improvement of the existing ones. Still, the production process is not organized.

[7] Personal contact Mr. Elias Abu al Zuluf owner of ZULUF handicraft factory and souvenir shop in Beit Sahour, October10, 2018.
[8] Sales channels of the olivewood handicrafts. Ministry of Tourism. Unpublished data March 11, 2019.
[9] Personal contact Ms. Nancy Ghanem Director of Tourist Handcrafts Department from Ministry of Tourism & Antiquities Bethlehem, March5, 2019

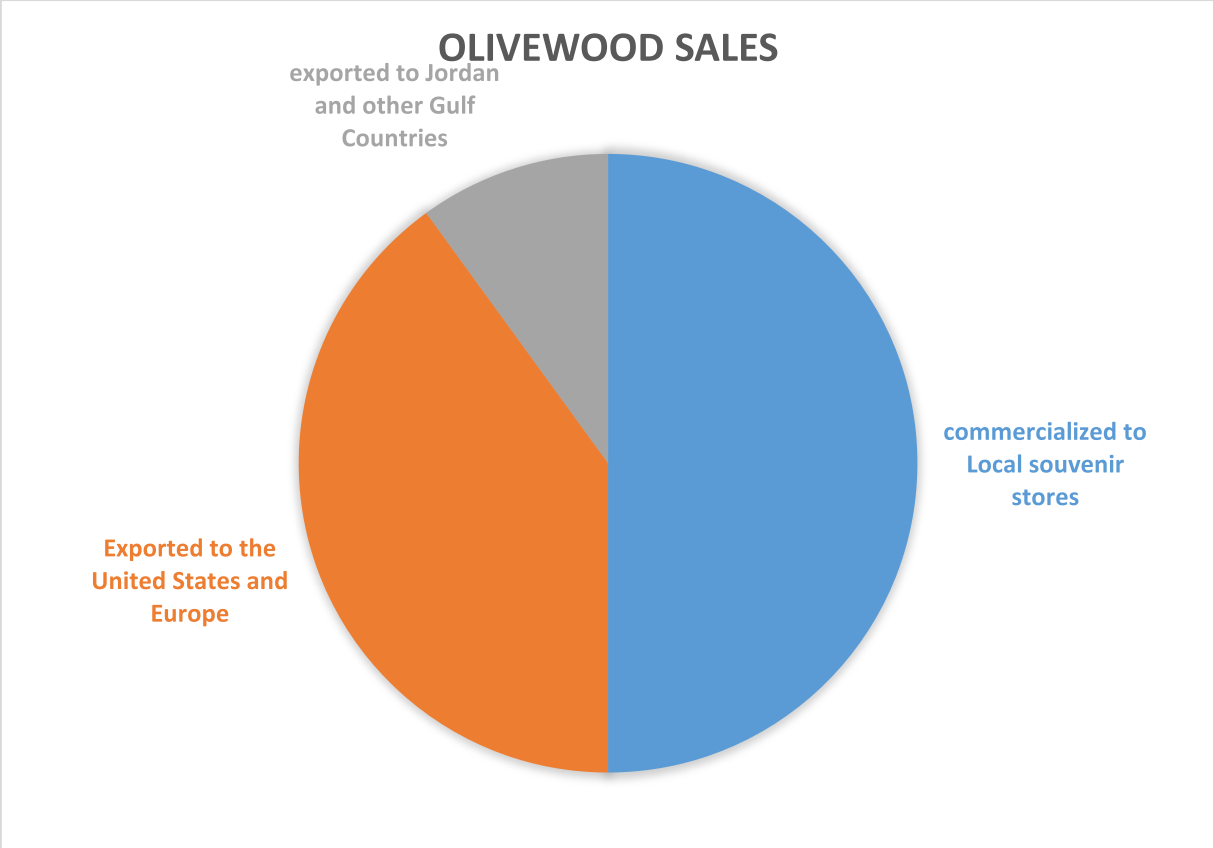

Figure 0.2: Sales channels of the olivewood handicrafts. Ministry of Tourism Unpublished data March 13, 2019.

1.2 Research problem

Olivewood accounts for 35% of all Palestinian handicrafts (Khoury, 2014). Olivewood is considered the sub-sector with the most significant profit margin among all other handicraft sub-sectors (ICC, 2013). All of the olivewood workshops are located in Bethlehem area. Many of these workshops are not officially registered in any governmental or public entity. This leads to discrepancies in the numbers of olivewood workshops reported by the various entities. According to the PCBS statistics of 2017 there were 181 olivewood workshops in all of Bethlehem governorate. As stated by the respective municipalities, there were 55 olivewood workshops registered in Beit Sahour, 20 in Bethlehem and 13 in Beit Jala in 2019. However, according to the Ministry of Tourism, 290 olivewood workshops were operating in Beit Sahour in 2019, which is 527% higher than the number reported by the municipalities. The majority of the olivewood workshops are concentrated in Beit Sahour.

The majority of the olivewood production (50%) is commercialized through souvenir stores in Bethlehem and Jerusalem. There are 112 souvenir stores registered at the Ministry Of Tourism in 2019. Additionally, the artisans from Beit Sahour have been enhancing the local industry by finding markets for it abroad.[10] The highest profit margins go to export with a rate of 27.5%, whereas profit margins from souvenirs and retailers do not exceed 23% (Khoury, 2014). The advantage of selling to the souvenir stores in Jerusalem or intermediates is in receiving cash payments. However, the profit margin of selling to them is the same or less than selling to Bethlehem souvenir stores[11]. Most of the olivewood workshops are family businesses, which reduces their competitive advantage.

The industry is in the transferring stage from being supply-driven to being demand-driven[12]. One of the main obstacles that face the Palestinian olivewood industry is the availability of workforce since the working conditions are sometimes dangerous, and the compensation rate is low compared to other professions in the market.[13]

The olivewood products derive their competitive advantage, mainly from their relation to the Holy Land. The main impediments facing the olivewood handicraft are not much different from those facing the Palestinian handicraft sector in general. In particular, the main issues facing the olivewood industry include the following:

- Olivewood workshops are still not organized and lack of professionalism in management and administration.
- Most workshops are owned and operated by families and still depend on primitive ways in production and marketing.
- Insufficient support from the government and concerned ministries.
- International competition, especially from Chinese products.
- Absence of an influential association that can lead and defend the interests of the olivewood industry.

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[10] Ministry of Tourism. Unpublished data March 13, 2019
[11] Personal contact Mr. Issa salamah Workshop owner Beit Sahour September 20, 2018
[12] Personal contact Mr. Johny Lama, Lama Brothers Souvenir store Bethlehem December 13, 2018
[13] Personal contact Mr. Samir Baboon, Director of Terra Santa Vocational Training School in Bethlehem. April 4, 2019

These issues have adverse effect on the competitiveness of the olivewood industry. So far, literature, on Palestinian handicrafts industry in general, and specifically on olivewood industry, are rare. Therefore, this research investigates the determinant factors behind producing and marketing olivewood handicrafts.

1.3 Research objectives

The main objective of this research is to measure the importance of the factors that influence the level of the olivewood industry competitiveness to determine factors that increase the competitiveness of the Palestinian olivewood Industry. The specific objectives are:

- To assess the internal environment for the olivewood workshops, including their structure, system, natural, and human resources and day-to-day operations.
- To investigate the external factors including economic, societal, social, political, and technological environment.
- To assess the importance of the critical factors that can drive competitive advantage for the olivewood production units.
- Explore the value chain of the olive wood industry.
- To propose recommendations to the official and governmental parties responsible for the handicraft sector in Palestine.

1.4 Research questions

The research questions addressed by this study are:

- What are the key factors that affect the olivewood industry competitiveness?
- To what extent does the olivewood industry rely on its comparative advantage?
- How the quality of production through generations does affect the sustainability of the olivewood industry?
- What are the effects of competition among local workshops on the competitiveness of the olivewood industry?

- Does the absence of one influential official association weakens the competitive advantage of the industry?
- Does technology affect the design and production of the olivewood handicrafts?
- To what extent does government support the olivewood products in Palestine?
- How does technology affect the marketing of the olivewood products?
- Does social media play any role in the olivewood handicrafts selling and promotion?

1.5 Scope of the research

This research analyzes the key factors that can drive competitive advantage for the olivewood production units in Bethlehem governorate.

1.6 Relevance of the research

Various groups, whether governmental, NGOs, or private sector, benefit from the results of this research in organizing the olivewood industry in Palestine.

Moreover, the results of this research provide olivewood producers and souvenir shops with the means to produce and sell efficiently.

Chapter Two:

Literature review

This chapter reviews the literature based on the research problem ,which is summarized in what builds and what hinders the competitiveness of the olivewood industry. Multiple factors influence the competitiveness of the olive wood industry. The literature builds on theories from the competitiveness of handicrafts industries; namely, competitive advantage, competitiveness, innovation, Clusters, tourism clusters and finally, handicrafts and tourism.

2.1 Porter's theories on competitive advantage

Porter, in his book "competitive advantage of nations" believed that, the industrial development in the countries generally go through a set of stages. First, the factor-driven stage, to the investment-driven stage, then the innovation stage, and lastly, the stage-driven by wealth where richness is achieved and sustained. In this stage, government intervene to protect significant and well-established firms. For a long time, it was known that comparative advantages come from the country's natural endowment like labor pool, interest rates, or currency value. However, Porter defined the concept of competitive advantage and how it is created, not inherited. He argued that competitive advantage does not grow from only country's natural endowments (Porter, 1990, 1998).

Competitive advantage must have the following distinctive features to be valid, according to Porter (1998):

1. Strenuous to imitate
2. Can be generalized for other situations
3. Distinctive
4. Survivable or livable
5. Offer superior values to customers than competitors

Porter stated that there are two determinants of competitive advantage of nations, first, 'the pressure on firms to invest and innovate' second, 'the institutional mechanisms for specialized factor creation' (Porter 1990 p 71, 80). Porter emphasized the importance of pressure as a driver of innovation. The pressure to invest and innovate is generated by factor conditions, sophisticated demand conditions, domestic rivalry and related, and supporting industries. Porter pointed out local rivalry is the most critical to innovation. He said, "In global competition, successful firms compete vigorously at home and pressure each other to improve and innovate...Only intense domestic rivalry (or the threat of entry) can pressure such behavior" (Porter 1990, p 162).

Companies achieve a competitive advantage when they offer their customers products that are superior to the competition, which leads to an increase in the company's sales and profits (Porter, 1996).

Porter's diamond framework and the world competitiveness reports suggested that a country's competitiveness is an extension to its local firm's competitiveness. Porter said, "There are striking differences in the patterns of competitiveness in all or even most industries. Ultimately, nations succeed in particular industries because their home environment is the most forward-looking, dynamic, and challenging" (Porter, 1990).

Porter (1995) said, "Competitiveness at the aggregate level is the average productivity of industry or the value created per unit of labor and per dollar of capital invested." Porter argued that factors that determine microeconomic competitiveness are quality of the business environment, state of cluster development, and sophistication of company operations and strategy. He believed that, the base for welfare and prosperity is the efficient use of endowments like natural resources, geographical location, citizenry, and land area. On the other hand, macroeconomic competitiveness is determined by other factors like sound monetary & fiscal policies and active public institutions (Porter, 1990, 2003).

Sustained profitability differs from one industry to another, factors that control the choice of a competitive strategy is determined by the long-term profitability and the relative competitive position within the industry (Porter, 2008). For nations to compete successfully, they should focus on the long-run productivity and efficiency of existing firms and workers, which creates more jobs for the local citizens (Porter, 2014).

2.2 Competitiveness

Below are several definitions and explanations of competitiveness, as posited by international scholars and institutions:

The World Economic Forum (2012) defined competitiveness as "the set of institutions, policies, and factors that determine the level of productivity of a country."

National competitiveness is derived from a nation's ability to improve the level of its citizen's welfare economically and socially through effective participation globally (Ali, 2008).

Competitiveness of a company is the ability of a firm to compete against rivals, survive and advance, firms with a competitive advantage relative to other competitors can achieve firm competitiveness (Keter, 2012). Anderson (2005) asserted that comparative advantage is static because it relies on the natural endowments of a nation, while the competitive advantage is dynamic and is created by the humans in a specific society. Kohler (2006, p140) argued that trade is a win-win game and that is why countries are not considered competitors. He stated, "a country's welfare is determined by its absolute level of productivity and not by some international competitiveness rankings. In a trading world, productivity is magnified, in terms of its welfare potential by international exchange ...''.

A country that provides opportunities and competitive environment for the industries and an acceptable level of risks for the employees and shareholders is considered attractive. Specifically, the return an investor receives should be equal to or higher than the threats he faces. (Lasserre, 2003, p156-157).

Competitive location is considered a source of prosperity that derives competitiveness for, both companies and citizens (Porter & Rivkin, 2012, p56).

2.3 Innovation

There is a mutual relationship between Competitive advantage and innovation. Innovation, as defined by the World Bank, is “a new and better product or service or a new and more efficient, or less costly, way of producing, delivering, or using that product or service. Innovation is important because it provides a means for getting more output or welfare from limited resources. Innovation may be new to the world as a whole, new to a country, new to a sector, or new to an individual” (World Bank, 2010).

According to Porter (1990), the innovation stage is where companies control all the corners of the diamond.

According to Den Hertog et al, (2001), in a country, Innovation system is the major driver of growth; an effective innovation system helps in creating, diffusing, and using knowledge.

Porter and Stern (2001) in their research “Innovation: Location Matters” stated that favorable external environment is as important as internal factors in deriving innovation. For small businesses to ensure sustainable economic growth and increasing productivity, they should focus on innovation, which is based on product technology. This will speed up the economic growth of a nation.

The ability to master science and technology forms the base for economic development. Synchronization between innovation, innovation support agencies, and users enhance innovation and improves productivity and competitiveness (Herliana, 2015).

Innovation is known to be the act of entrepreneurs to gain a competitive advantage. Firms by creating competitive advantages innovate. Specifically, through understanding or discovering innovative and superior ways to compete in an industry (Berdine et al, 2008).

Drucke (2014), in his book Innovation and entrepreneurship said ‘the entrepreneur always searches for change, responds to it and exploits it as an opportunity.’ He argued that entrepreneur responds to change through innovation. Focusing on how low-tech entrepreneurship faces the challenge of balancing technological possibilities with limited resources. He concluded that individuals who take responsibility for their learning and careers characterize the entrepreneurial society.

OECD & Eurostat (2005) defined marketing innovations, as “ the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing.”

Being innovative is a key to success and one of the modern business requirements. Innovation has multiple forms, but discovering and launching an innovative new product is one of the most important (Boljević & Strugar 2008).

Rammer, Czarnitzki & Spielkamp (2009) asserted that the main aim of process innovation is finding a method to reduce the cost of units produced, and increase the quality of production processes. This increase in quality positively influences the firm’s competitiveness.

2.4 Clusters

Returning to the early twentieth century, Marshall’s agglomeration was the first explanation of industry clusters and their role in creating competitive advantage. Marshall, in his book "Principles of Economics", observed that clusters have positive effects on the "External Economies.” According to his theory, the effectiveness of the companies that are located in the same geographical area is based upon three main factors, specialized and skilled labor force, significant suppliers, and knowledge transfer. He also argued that costs of moving goods, labor, and ideas, could be reduced by industrial agglomeration. Firms could minimize the shipping cost by clustering near suppliers and customers; they can also share labor when they are near each other (Marshell, 1920).

The application of Michael Porter's new model for examining and evaluating the competitiveness has been used extensively. Clustering of enterprises, their agglomeration, and the incorporation of services received special attention.

Many other researchers have emphasized the role of clusters in enhancing and deriving competitiveness. Florence, Hoover, Fuchs, Krugman, Ellison, and Glaeser all argued that industries clusters are geographically concentrated entities and this concentration increases each firm’s productivity. (Florence, 1948, Hoover, 1948, Fuchs, 1962, Krugman, 1991b, Ellison and Glaeser, 1999).

Fundeanu & Badele (2014), defined clusters as agglomeration of independent enterprises geographically concentrated with different sizes and features. They are essential tool for local development by enhancing competitiveness, stimulating innovation, and produce entrepreneurial spirit to renovate and diversify businesses. These enterprises become more innovative through continuous interaction. The interaction among the companies appears in many aspects like:

- Sharing facilities.
- Passing experience and knowledge among each other.
- Facilitating technology transfer between the clustering enterprises.
- Spreading information among the cluster’s enterprises.

Clusters promote competition and strengthen cooperation (Porter, 1998b). Porter believed that, the clusters are essential because they provide the following:

1. Business attraction,
2. Enhance export,
3. Improve market information and market organization
4. Promote education, and training
5. Facilitate science and technology Investments
6. Improve standard settings

The significant components of clusters are companies, suppliers, and service providers, as well as government agencies and educational institutions, information, research, and technical support to a regional economy.

Clusters are economic relationships between firms in a specific region that relationships create a competitive advantage for the clustered firms, which attract similar enterprises and suppliers to aggregate with those related firms (Slaper & Ortuzar, 2015).

The research of Dewally & Shao (2015) showed that co-located firms gained from innovations in asset turnover because they share input and have easy excess to labor pooling.

Porter (1990) identified two kinds of clusters “Traded Clusters”, which serve global markets, and “Local clusters” which operate in the regional market. Traded clusters have a more significant impact on local economies success than Local Clusters in terms of the creation of high-paying jobs, etc. (Porter, 2003). Porter (2014) argued that traded and local clusters are highly related. Hence, even though traded clusters boost the local economy, local clusters are essential for the overall robustness of the regional economy. As Porter said, “The Traded Cluster is the dog, and the Local Cluster is the tail.”

Industry clusters are “geographic concentrations of interconnected companies and institutions in a particular field.” Porter believed that clusters contain networks and links of companies, suppliers, service providers, other related and supporting industries, and associated institutions. (Porter 1990, p. 78).

Industry Cluster is composed of firms, academic institutes, financial institutes, government agencies, and associations; the primary goal of industry cluster is not to maximize profit but to improve the overall competitiveness of the entire industry (Sureephong, et al, 2007; World Bank, 2010).

Cortright (2006) believed that a group of clustering firms are the foundation of the regional economy, not a group of unrelated firms. Units that produce near similar products cluster together within a region, because being near each other benefit related firms and the firms in a cluster have mutual competitive strengths and needs.

An artisan cluster is defined as “geographically concentrated household units producing handicraft/handloom products; many artisan clusters are centuries- old” (Sarkar and Banerjee, 2007).

‘Creative enterprise cluster’ consists of all businesses that provide specific products or services and other units that sell, supply, or contribute to the same products and services. Together businesses derive their competitive advantage from distinctive appearance, form, content, or sound that they insert or represent in their products or services (Rosenfeld, 2004).

UNIDO's study (2004) "Industrial Cluster and Poverty Reduction", concluded that there is a relation between cluster and poverty alleviation. This relation appears in three specific aspects starting in cluster features, cluster process, and cluster dynamics. Cluster features indicate the survival cluster, which reduces poverty. Cluster process generates jobs and has stronger effects on poverty. The cluster dynamics has a substantial influence on pulling down levels of poverty through improving the capabilities for workers and technological capacities for firms.

The role of clusters in rural poverty alleviation and rural income generation is essential. Many developed and developing governments considered, cluster approach in setting policies and strategies. Clusters approved positive contribution to regional economic development and poverty alleviation. (Das & Das, 2011).

2.5 Tourism cluster

Researchers worldwide have extensively used Porter's Diamond model. Porter's theory of cluster is useful for the tourism sector. The cluster usually consists of small and medium enterprises, where this stresses the linkage between travel companies, suppliers, and NGOs as well as between these companies and other related institutions (Porter 1990, 2003).

Fundeanu, (2015) in his research "Innovative Regional Cluster, Model of Tourism Development" defined tourism cluster as "a group of resources and attractions, business and institutions directly or indirectly involved in tourism, concentrated in a particular geographic area." He analyzed the competitiveness of the tourism clusters by using porter model. According to him, tourism cluster is essential for economic development. Specifically, the collaboration of the industrial surroundings, education institutions, public authorities, and related touristic organizations increases competitiveness.

In their research, “Clusters in regional tourism An Australian case” Jackson & Murphy (2006) pointed out that clusters are considered a suitable tool for analyzing service-based tourism.

One of the sustainability pillars for the Palestinian tourism sector is enhancing the supporting sectors. Such as integrating the cultural production, traditional handcrafts and artisanship, youth programs, and local producers into the tourism packages. (Saadah, 2015).

2.6 Handicrafts

The role of handicrafts is twofold: firstly, they represent indigenous history, culture, and traditions and secondly they contribute to the development of the economy. Handicrafts are an important part of tourism because they remind the tourists with the places they have visited and the experiences they have lived in. Moreover, they are suitable symbolic gifts for friends and relatives (Akhal et al 2008, Mustafa, 2011). Handicrafts are famous for being a unique combination of cognitive, social, and technical skills rather than being only art and beauty pieces. Moreover, they are considered a powerful strategic design tool. (Yair & Press & Tomes, 2001).

Selling handicrafts is vital for cultural tourism. In developing countries handicraft business is a significant contributor to the prosperity of the local economies; thus the development of the tourism sector depends on the improvement of the handicraft businesses (Mutua, et al, 2004). Abisuga-Oyekunle & Fillis (2017) resolved, “Handicraft industries can contribute to poverty alleviation through income generation and employment creation.” The importance of handicrafts is in creating jobs for locals and in protecting national arts and heritage.

Handicrafts are valuable souvenirs that represent the traditions of the indigenous. In addition, they are essential part of a tourist experience. . The benefit of the handicrafts differs from a country to another since they are a source of income and employment (USAID, 2006; Mustafa, 2011).

Handicraft sector is not isolated from the technological revolution. The increasing global competition, technological advancements, as well as economic developments are affecting and changing the handicraft sector (Venkataramanaiah & Kumar, 2011).

Handicrafts are labor-intensive products, which also considered art pieces. Artisans find it challenging to price their crafts due to the effort and time needed from them to produce. It is not easy to estimate fair compensation (Jakob, 2012). The word handicraft came to draw attention to the difference between the traditional worker, where products are designed and produced by the same person, and the modern factory worker, where products are produced with the help of machines. Crafts consumers are people who value culture and possess wealth. Self-expression is what motivates these people. (Campbell, 2005).

Handicraft is a source of employment for needy citizens of society, especially in the countryside areas. Its role in economic growth stems from many factors like, the little capital required to start-up, high-value addition, high potential for export, and limited to zero reliance on imports. In India, one of the major obstacles that are facing the handicraft industry is the primitive methods of production. As a result, handicraft profession is less attractive to the new generation. However, several segments of the handicrafts sector will be profited if modern technologies are available at an appropriate price, training, and education. (Chatterjee et al, 2008).

Banks (2014) believed that handicraft is considered as an integral part of a creative industry. However, the continuation of creative industries appears to depend on finding the balance between the handicraft as an artistic piece, and handicraft as a commodity.

Woodcarving requires both manual skill and artistic feeling. While, manual ability is about knowing the shapes and the uses of the tools, then using the tools and skills to produce the shapes, artistic feeling is instinctive but can also develop. (Hasluck, 1977).

2.7 Tourism and handicrafts

According to UNWTO, there have been many conferences held on tourism and many on handcrafts. There is a pressing need for a conference to develop the synergy between the two and to shed light about the importance of handcrafts for tourism and vice-versa (UNWTO, 2008).

The first International Conference on Tourism and Handicrafts, held in Tehran from May 13-15, 2006. It focused on clarifying the role of tourism as a priority industry in the 21st century to promote handicrafts production. In light of the rapid scientific progress that characterized the twentieth century, it becomes imperative to preserve and develop this heritage

Milohnić & Jurdana (2008) said, “The general aim of tourist destination competitiveness strategy is the increase of life quality thus quality; becomes a key element of tourism destination competitiveness. Therefore, all elements of tourist offerings should offer the highest possible level of quality in the segment of the tourist product specificity which they have offered in the market”.

It is known worldwide that, contemporary tourists feel curios for crafts and traditional products during their touristic trips and visits, which in turn, generate demand for the traditional handicrafts sector (John, 2014).

The way and presentation of the local handicrafts is a crucial motivator that affects the tourist's view and may magnify authenticity to the local handicrafts. (Graburn, 2008).

Swanson (2004) in her research “Tourists and retailers’ perceptions of souvenirs” stated that a relationship exists between tourist’s needs of goods and services, and tourism retail enterprises improve the economic prosperity of a host country by creating job opportunities.

Torabian & Arai (2016) described authenticity based on four dimensions: (1) the use of local raw materials, (2) handmade and locally produced items (3) clear artist signature or trademark (4) higher cost is justified by uniqueness, higher quality, and better design.

Kumar & Rajeev (2014) asserted that handicrafts attract both domestic and foreign tourists. They are significant representors of any country’s culture and traditions. They state that Butthe Indian craft industry made products for their own and local users because they have no information regarding the demands of the international tourists. Also, they never put their best because of maximum artisans involved in this work as a part-time basis. Accordingly, Butthe Indian craft industry is in persistent need of a robust marketing information system, to assess the demand and acceptability for their products.

According to Zhang & Jensen (2007), international tourism flows can be explained in terms of supply-side factors associated with its production in destination countries. Unlike demand-based analysis, the main determinants of international tourism flows are supply-driven variables such as natural endowments, technology, and infrastructure.

2.7.1 Marketing of handicrafts

Marketing plays a critical role in the success and growing of all small, medium, and large businesses. It is considered a strategic tool for business development. Usually, large businesses build specialized departments for marketing, but micro handicraft industry and other small enterprises lack financial supports to invest in marketing their crafts (Kumar & Rajeev, 2014).

Handicraft units are most of the times family businesses where they give little importance to the vital marketing functions, knowledge, and market information (Dash, 2011).

2.8 Theoretical framework

Competitiveness of industries can be described as the ability to innovate, create, and sustain relationships with suppliers and market. Moreover, to organize and manage business networks.

Michael Porter's National Diamond framework is one of the most powerful frameworks for industrial analysis that can be used to analyze the competitiveness of a sector in a national market, as well as the competitiveness of a nation in an international market. The National diamond framework was the answer to porter’s popular question, “why do some social groups, economic institutions and nations advance and prosper” (Porter, 1990).

Porter’s diamond has helped too many businesses to understand their competitive position in global markets while, taking the characteristics of the home country into consideration.

Porter identified factors in his diamond framework to analyze competitiveness. His framework will be used in this study to identify the competitiveness of the olivewood handicraft industry.

Porter said, “The principal goal of a nation is to produce a high and rising standard of living for its citizens.”

Porter, in his book “The Competitive Advantage of Nations” developed an economic diamond model. That model shed light on the generic points that make specific industries or sectors within a nation competitive internationally, whereas others might not. Porter proposed, “Nations are most likely to succeed in industries or industry segments where the national “diamond” is the most favorable.” (Porter, 1990, p. 72).

Porter (2000, p. 20) said, "to increase productivity; factor inputs must improve in efficiency, quality, and (ultimately) specialization to particular cluster areas.”

Porter determined four attributes for the diamond, and these attributes helped to understand the nation’s national competitive advantage. Moreover, he argues that government policy and chance are exogenous factors that have an impact on all the attributes of the diamond and support the system of national competitiveness (Figure 2.1).

Clancy et al, (2001) asserted that the competitive advantage of industry relies partially on how effectively the attributes of the diamond interact in a nation. Different components of porter’s model prove to be relevant for example, companies benefit from being a member of a big group of companies or industry, although these groupings can differ from Porter’s clusters in significant respects (Clancy et al, 2001).

Roostika et al (2015) in their study concluded that only three corners from the diamond which are factor conditions, demand conditions, and strategy, structure and rivalry do have a direct influence on clusters competitiveness, which means that small-medium enterprises should not only focus on their inner ability, but also their macro conditions.

Vanhove (2002) in his research “Tourism policy - between competitiveness and sustainability: The case of Bruges” concludes that competitiveness can be analyzed by the Porter approach.

Porter’s argument about the sources of a nation’s advancement and prosper was assessed by many researchers. Even though Porter analysis has been achieved on the expense of precession and determinacy, the book is considered a significant achievement in shedding light on the growth of industries and nations within their global context and trade (Grant, 1991; Berger, 2008).

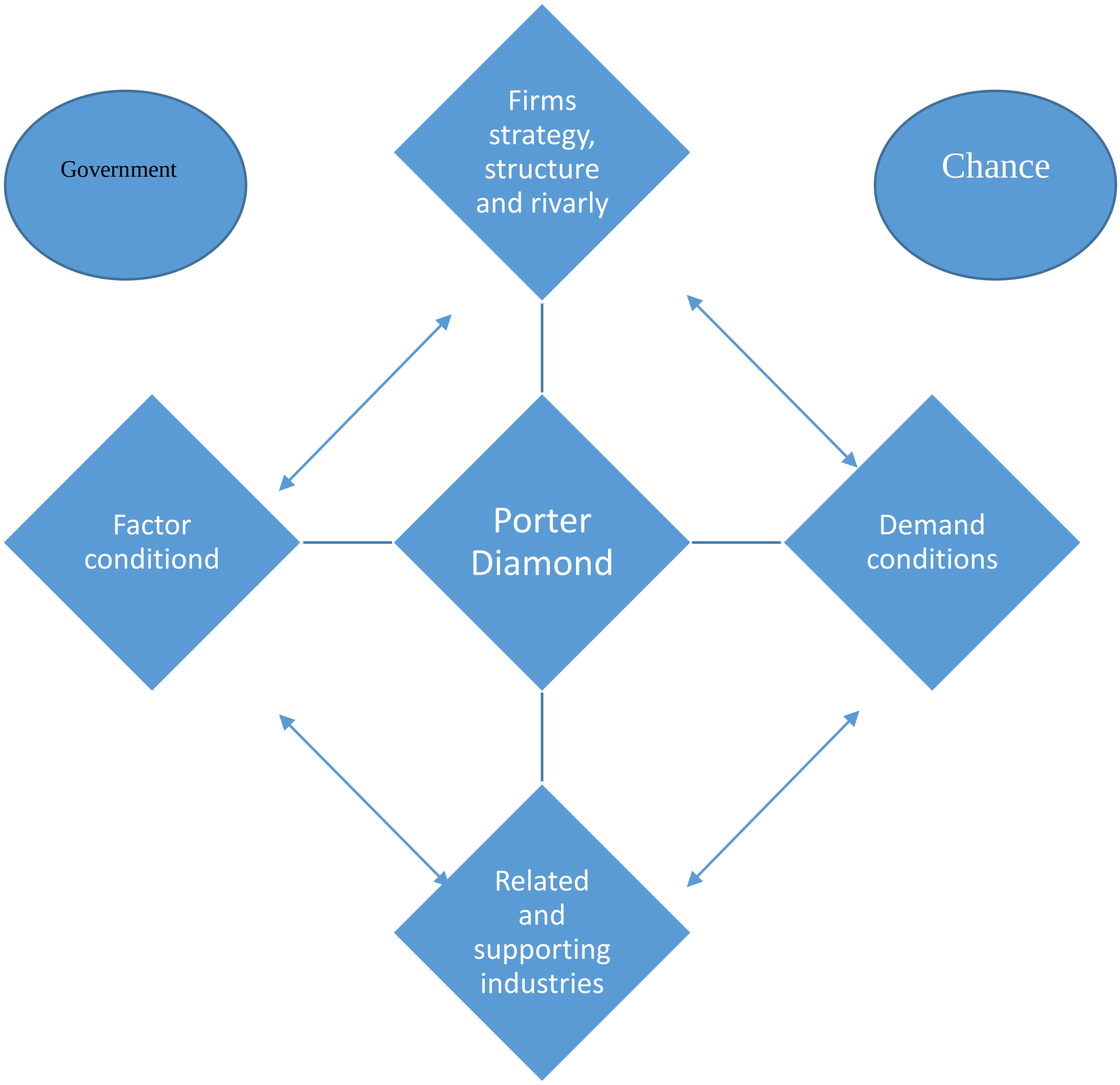

Figure 0.1: Porter Diamond Model (1990)

Porter (1990) asserted that these attributes create the needed environment in which companies operate and learn how to benefit from competition. Each corner of the diamond has a direct influence for achieving international competitive success. The crucial point in Porter's diamond theory stands behind the idea that the diamond is a mutual system of competitive advantage. The advantage in one attribute can reinforce power in other corners of the diamond. For example, sophisticated demand conditions will not be a source of a competitive advantage unless there is enough competition among firms that will lead to competitive advantage.

According to Venturini & Boccaletti (1998), the principal of the diamond is still used excessively to assess and evaluate the level of competitive advantage of firms, industries, and countries, in spite of the critical literature for it.

Porter (2014) answers the question of what determines competitiveness and improving the quality of the business environment in his article "Reshaping Regional Economic Development: Clusters and Regional Strategy" as shown in Figure 2.2.

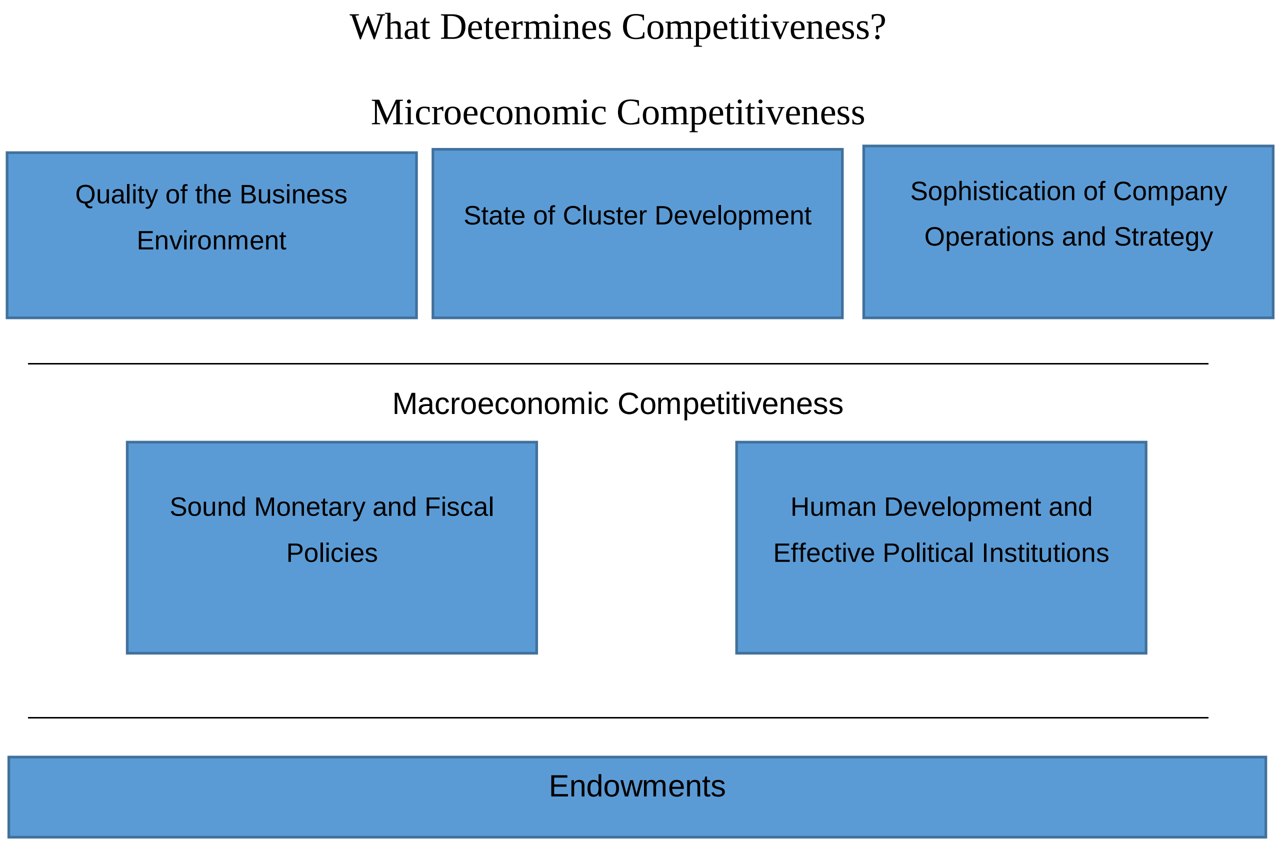

Figure 0.2: Determinants of Competitiveness Porter 2014

Based on the theoretical framework, this section will report explanations of all attributes of the diamond model. Moreover, the results of previous literature that build their research on the diamond model.

2.8.1 Factor conditions

Factor conditions describe the resources available in each country; thus each nation will have significantly different factor conditions. Traditional theories base that land, labor, and capital are the primary sources of regional competitive advantages, Shaffer, Deller and Marcouiller (2004), argued that firm's regional competitive advantage emanates from the firm's productivity and the availability of fundamental production factors. Porter (1990) believed that the home country may or may not include factors conditions like human resources, physical resources, knowledge resources, capital resources, and infrastructure. Although natural resources are the base for the international competitive advantage, they can never create value without other factors such as skilled human resources and research capabilities. Indeed, each country will have its natural resources. Human resources might be the most vital factor because without qualified labor which can successfully complete the work required, and it will be difficult for any business to operate in the market.

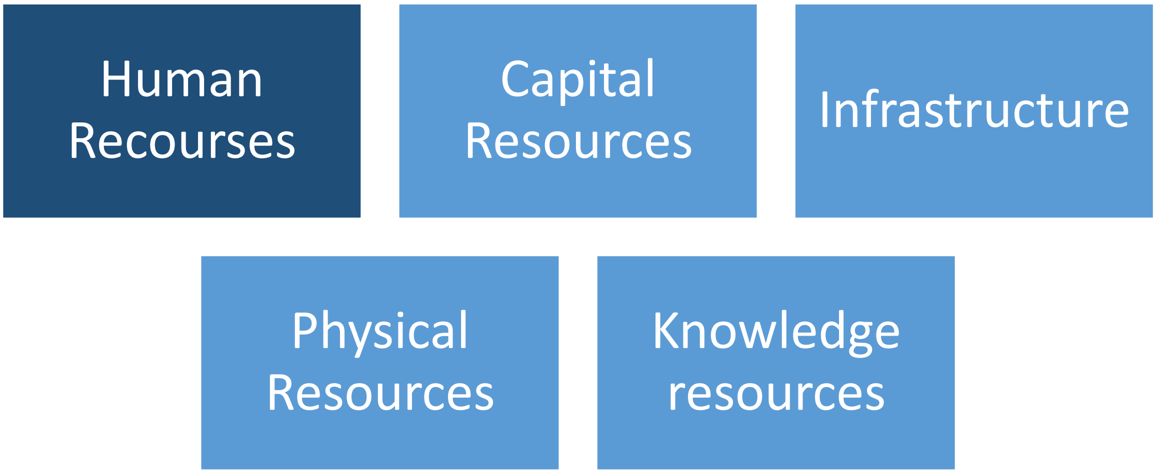

Figure 0.3 Factor conditions

Factor conditions can also be classified into basic and advanced according to the level of specialization. While basic factors include natural resources, advanced factors are more specialized and complicated like the skilled human resource. Also, advanced factors are specific for each industry, and that is why basic factors cannot create competitive advantage without advanced factors. (Porter, 1990).

In a study titled “Industry cluster and performance sensitivity”, Dewally and Shao (2015) suggested that firms decide to co-locate in industrial clusters in hope to take advantage of the positive externalities of input sharing, labor pooling, and knowledge spill-over.

2.8.2 Demand conditions

Demand conditions are essential in drawing the future of an industry. In facing increasing local demand, firms will produce high quality and innovative products (Figure 2.4). Moreover, continuously developing their competitive advantage, and that is exactly what companies need to be able to compete overseas. Demand is a crucial driver of innovation, which should be recognized in government policy. (Edler & Georghiou, 2007; Aschhoff & Sofka 2009; Uyarra & Flanagan 2010).

Porter (2014) asserted that sophisticated and demanding local needs like strict quality, safety, and environmental standards matters in competitiveness. In addition to sophisticated demand in the private sector or government. Firms are forced to meet buyer’s needs in the local market, and this forces the cluster to innovate and be competitive in order to meet the superiority standards and service demands (Porter, 1990; Smit, 2010).

According to Porter (1990), “the size and pattern of growth of home demand can reinforce national advantage in an industry”. Porter stated that internationalization of domestic demand creates competitive advantage.

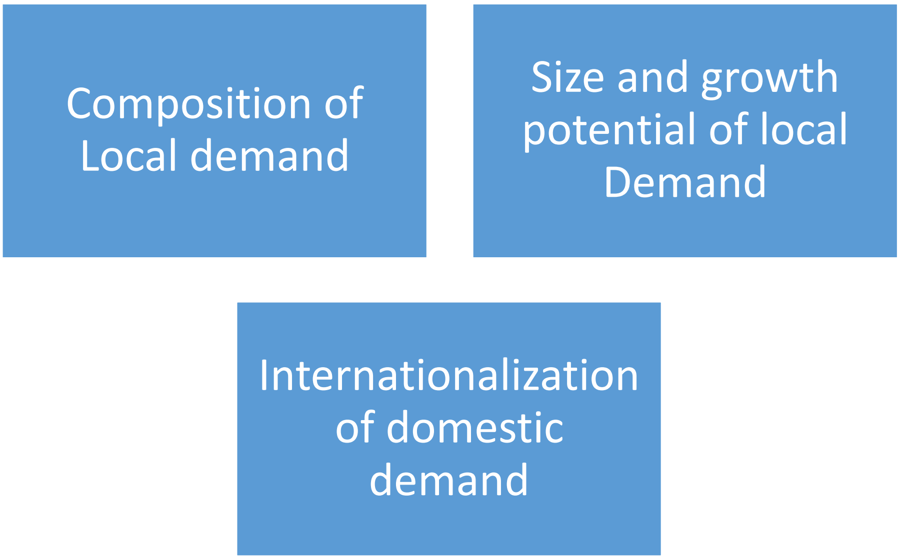

Figure 0.4 Sources of demand conditions

2.8.3 Firm Strategy, structure & rivalry

Every environment is unique, and this uniqueness distinguishes its business sectors. This inequality controls how firms compete and give them their competitive advantage. Another critical concept in this component is the nature of local competition (Figure 2.5). Porter identified rivalry as a driving force behind competitive advantage. He asserted that domestic rivalry forces firms to compete on multiple fields including cost, quality, and innovation (Porter, 1990; Martin 2005).

Porter (2014) pointed out that open and vigorous local competition and strict competition laws also matters in deriving competitiveness.

Firms in a cluster stress each other through competition and assist each other through shared ideas and resources. This rotation of information is the driver of innovation and knowledge sharing (Porter, 1990).

Porter (1990, p. 117) stated that local competition among domestic firms is superior to international rivalry, while Rugman (1990) agreed with this argument only in large economies such as the United States but not in small economies such as Canada.

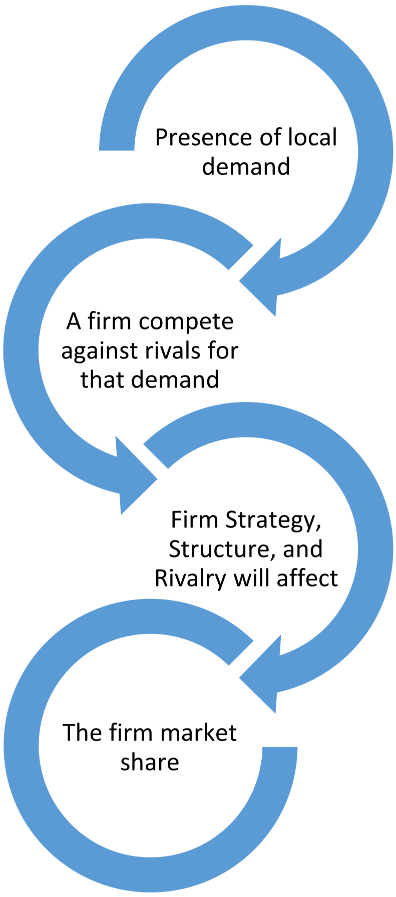

Figure 0.5 Firm Strategy, Structure & Rivalry

2.8.4 Related and supporting industries.

Ellison, Glaeser & Kerr (2010) asserted that closeness to suppliers is one of the primary reasons (besides proximity to customers) why firms locate near one another.

Clusters create an environment for gaining competitive advantage for all related firms that are part of the cluster; this competitive advantage works as an incentive for similar business and suppliers to relocate or move near each other (Figure 2.6). Slaper (2015) said that Related and supporting industries provide a stream of valued information and understanding, which can generate competitive advantage for industry. Porter noticed that related industries share activities in many fields like technology development, manufacturing, distribution, marketing, or service (Porter, 1990).

Porter further shed light on how suppliers can achieve competitive advantage by keeping constant communication and interaction with the firms they supply. This relationship can lead to innovation and upgrading. Moreover, suppliers would have an advantage in competing internationally (Porter, 1990). A cluster as defined by Porter (1998)" is a critical mass of companies in a particular location (a country, state, region, or even city). Governments have significant roles in creating an environment to support rising productivity, and companies have a different agenda than just building offices or factories".

Porter (2014) explained how local and traded clusters work as a system in deriving competitiveness. According to him, traded cluster serves national and global markets and expose the firms to competition from other regions. While local cluster serves, the local market and the firms disclose too little or no international or cross-regional competition.

Figure 0.6 Related and supporting industries

2.8.5 Government and chance

The diamond model includes two external variables namely the role of chance and the role of government Porter (1990, p124 – 128).

Chances are events that are beyond the control of the companies and even the governments, such as inventions, wars, external political changes, significant shifts in foreign market demand, the breakthrough in essential technologies, etc. According to Porter, these chances can be a source of competitive advantage, the ability of an industry to respond will depend upon the status of other parts of the competitive diamond these chances allow firms in one nation to prosper over others.

Research and development capability is crucial for developing countries to know what knowledge is relevant, and to use that knowledge and be able to adapt technology to local conditions (World Bank, 2010).

Porter considered government as an external factor, which influence the diamond through economic policy and not an attribute of the diamond. (Porter, 1990, 1998b). The government can set policies which either improve or worsen the national advantage, examples of policies that have a direct effect on industries are antitrust policy, regulations, investment and attitude towards education and government purchases all influences the diamond in one way or another.

Porter believed that government could not create competitive industries on the other hand; it plays a critical role as a catalyst and challenger at the same time, to encourage companies to achieve competitive advantage.

Porter’s diamond can be considered an excellent starting point because it helps to understand home locations and how to build competitive advantage. It is better to be followed by research that is more thorough on micro factors like value chain analysis (Hollensen, 2011). There are criticism and limitations for the diamond model, as it does not take into consideration other factors that may influence competitiveness like technological advancement and government intervention. Moreover, it is suitable for developed countries.

Chapter Three:

Analysis of the Industry Environment & The value Chain:

In the previous chapter, related literature has been reviewed, and the theoretical framework used in this study has been explained based on Porter's diamond theory. In this chapter, Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis for the four attributes of the diamond model and the government are provided.

3.1 Diamond of the olivewood handicrafts industry

Preliminary investigation has been conducted to gather information about the nature of olivewood production as an initial stage of a more rigorous survey. Later, in each attribute of the olivewood industry diamond SWOT have been identified.

3.1.1 Factor conditions

Olivewood industry has strong factor conditions. However, there are some weak factors that are imposing a threat to the competitiveness of the industry. Figure 3.1 summarizes the SWOT of the factor conditions for the olivewood industry.

Strengths	Weaknesses
• Skills and experience are passed from one generation to another. • The high quality of production • Wide variety of products • Availability of raw olivewood. • Hard to imitate.	• Primitive production tools and equipment • Managed and operated by Family members. • The high cost of raw olivewood • The high cost of utilities used in production like electricity and water • The high cost of importing raw olivewood because it has to be imported through Israeli intermediary • Not attractive for young Palestinians
Opportunities	**Threats**
• The uniqueness of the Holy Land, which will not be affected by any competing products. • Uniqueness and beauty of local olivewood • Quality of local olivewood. • Suitable weather for preserving and drying the olivewood	• Confiscating Palestinian lands and destroying olivewood trees by Israel. • International competition from Chinses products • The immigration of labor force due to unstable political situations

Figure 0.1: Factor Conditions

3.1.2 Demand conditions

The nature of the demand for the olivewood industry is fundamental in shaping the competitiveness of the olivewood industry. Figure 3.2 summarizes the SWOT of the demand conditions for the olivewood industry.

Strengths	Weaknesses
• High local demand by souvenir shops in both Bethlehem, Jerusalem and other touristic cities in Israel. • Diversity of nationalities visiting Bethlehem force artisans to innovate**.**	• There is no demand from residents • Olivewood products are complementary products, not consumable. • Demand is not continues but seasonal.
Opportunities	**Threats**
• Olivewood products are bought for solidarity with Palestinian Christians or for political solidarity. • Local and International organizations intend for olivewood products to be used as gifts. • Regional demand from neighbor countries like Gulf countries on Islamic olivewood handicrafts • Some families from Bethlehem rent spaces in shopping malls in the United States and Europe to sell olivewood products during Christmas. Moreover, they sell olivewood products in front of the churches in the USA.	• Israel imposes restrictions on exports. • Israel is limiting the number of tourists entering Bethlehem. Moreover, they attract them to buy from there shops. • The political instability affecting the number of tourists visiting the Holy Land

Figure 0.2: Demand Conditions

3.1.3 Firm strategy, structure and rivalry

Olivewood workshops lack professionalism in administration. Furthermore, it is still considered a family business owned and managed by family members. Figure 3.3 summarizes the SWOT for the Firm strategy, structure and rivalry.

Strengths	Weaknesses
• Introduction of advanced laser machines that are imported from China that increase the efficiency in the production. • Big and formal producers follow the requirements of health and safety • Big and formal producers follow the requirements of health and safety requirements	• Limited access to financing resources for small producers, which is the main reason for the limited use of technology in production. • Most Souvenir shops do not pay producers immediately; either they pay producers on sale basis or delayed payments. • Most of the small and informal producers either do not follow any health and security requirements or follow them partially. • Steep and fierce competition in price, especially among small and informal producers. • Lack of awareness concerning the protection of copyrights and designs • Relationships between owners of the workshops and their employees are not professional and organized. • Most of the workshops are individually, or family-owned businesses which weakening their development ability. • Limited use of modern marketing techniques such as social media,

	websites, brochure, etc.
Opportunities	**Threats**
• Online marketing and selling which is becoming more famous and reliable • Diversity of nationalities visiting Bethlehem force artisans to innovate. • Some olivewood producers have an ethical commitment to only supply local souvenir shops to help them have a competitive advantage over the rivals inside Jerusalem and Israel.	• The existence of international competition from countries that produce olivewood products like Italy, Tunisia, Greece, and Spain ,especially in non-religious products. • No protection of designs.

Figure 0.3: Firm Strategy, Structure and rivalry

3.1.4 Related and supporting industries

SWOT analysis for the related and supporting industries are summarized in figure 3.4. The Israeli restrictions on export and import and the absence of influential association are threatening the olivewood industry.

Strengths	Weaknesses
• The presence of some local importers who supply workshops with all the complementary products like glue, paint, rings, etc. with a reasonable price. • Most of the related industries like glue, paint, draining are part of the production process inside the workshops. • Packaging of big olivewood products is the responsibility of the souvenir shops. • Some of the apparatus used in the production process are produced locally	• Most of the raw olivewood is obtained through intermediaries, which increase the costs of production. • Souvenir shops do not pay workshops immediately, which weakens their financial positions. • Financial institutions do not offer any opportunities for olivewood workshops to take loans • Lack of training associations • No regulation to protect the artisans' rights of patents and innovations
Opportunities	**Threats**
• Raw olivewood suppliers are mainly from Palestine. • All the olivewood workshops and souvenir stores are located near each other in Bethlehem governorate.	• Israel control of export and import. Workshops can only export or import through Israeli intermediaries, which increase costs. • Little research on olivewood • Restrictions of movement of artisans to Jerusalem to reach the souvenir stores. • The overpricing of olivewood products by the souvenir shops to cover the commissions for brokers, tour guides, etc. • Absence of powerful association

Figure 0.4: Related and Supporting industries

3.1.5 Government

It is known that the lack of commitment from the Israeli government to the economic and commercial agreements with the Palestinians hinder the industrial sector in Palestine in general. Olivewood is part of the industrial sector that face the same limitations. The main weaknesses from the government that have adverse effect on olivewood handicraft include the following:

- Insufficient support from the government
- High tax ratios
- Lack of incentives, training, promotion, activities from concerned ministries
- Lack of protection of designs
- Most of the small artisans are not enrolled in the Palestinian labor Law
- The lack of one official body to unify, direct and regulate the work of the olivewood producers
- No control of standards and specifications of produced olivewood products
- Neutral toward the expansion or innovation of the producers.

3.1.6 Chance

The olivewood industry ran into flourishing and dark times. Unstable political situations reduce the number of tourists coming to the Holy Land. On the other hand, the number of tourists visiting the Holy Land increases during stable political situations.

+ The Oslo agreements starting 1993 and the Bethlehem 2000 project both contributed to a boom in the Palestinian handicraft industry.
- The second Intifada that started in September, 2000 caused deterioration in the Palestinian economy. It was considered as a turning point in the history of the Palestinian handicrafts.

3.2 Olivewood handicrafts value chain

It is worth to give a glance on the design, production, marketing, and selling of the olivewood handicrafts based on available literature and interviews with artisans and souvenir stores owners.

The North of W.B is known for its soil fertility and large olive trees groves due to a large amount of rainfall compared to the middle and south of Palestine. Hence, it is the leading supplier of raw olivewood to workshops in Bethlehem governorate through intermediaries.

3.2.1 The production stage

The production process starts with cutting and slicing the olivewood pieces using electrical cutting machines. The height, width, and thickness are determined according to the size of the handicraft that will be produced. There is a wide variety of designs and sizes of olivewood handicrafts[14].

There are many variations in the artistic level, machine interference, and manual interference and time needed in producing the handicrafts.

- Artistic hand carved pieces and figures with different sizes. (Handmade takes long time to produce). Differentiation is the primary source of their competitive advantage.
- Artistic Machine carved pieces and figures with different sizes. (Half man-made half machine made). Differentiation and cost advantage are the main sources of their competitive advantage.
- Laser machine pieces designed on special computer programs and implemented by a particular advanced machine. (Machine only & consumes little time). They can produce crafts are lower cost than other hand made pieces.
- Hybrid pieces, which are innovative handicrafts, made from olivewood embellished by mother of pearl[15].

[14] Interview with Mr. Issa Salameh workshop owner in Beit Sahour April26, 2019

[15] Personal contact Mr. Samer Baboon Director of Terra Santa Vocational Training School in Bethlehem. April 4, 2019.

The next stage is the coating, draining, and sticking the handicrafts. A special coating wax is used, which is very vital for giving the pieces shiny appearance and protecting them. A special kind of glue is also used for sticking parts of the handicrafts together.

At this stage, complementary pieces are added like rings, hangers, labels, etc.

3.2.2 Marketing & selling

Medium to small workshops follow primitive marketing techniques; they carry samples of their products and show them to the souvenir stores or retailers. Very few workshops use advanced marketing strategies like online shopping, in which marketing is a source of value creation for them.

There are three main selling channels for the olivewood handicrafts[16].

- Souvenir stores are still considered the main buyers form the olivewood production units.
- Palestinian families who in turn export the products to the USA and sell them in shopping malls during Christmas or in the churches.
- Intermediary retailers who buy the products from the workshops and sell them to souvenir stores or export them to other Palestinian people who live in the USA.

The workshops who are able to export abroad create value more than others do, unfortunately, very few workshops possess the financial ability to export.

There is no price unification for the olivewood handicrafts. Most of the artisans said that the cost of raw materials, the time needed to produce the piece and the uniqueness of some handicrafts make it very difficult to unify the prices (Khoury, 2014).

[16] Sales channels of the olivewood handicrafts. Ministry of Tourism. Unpublished data March 13, 2019.

Olivewood products are famous for living a very long life and being resistant to decay if produced the right way. Most of the artisans consider this as the primary source of their competitive advantage.[17]

3.2.3 Market positioning

Olivewood products have been presented in the international markets. Research conducted by Bethlehem Chamber of Commerce in 2014 and MAS in 2011, has identified olivewood as being locally competitive compared to other Palestinian handicrafts, but not internationally competitive. Olivewood has a good position in terms of quality, innovation, and design. However, the reliance on primitive ways of production, fierce competition between workshops, high rates imposed on exports and imports by Israel and lack of an official body to organize the sector make high-volume export difficult and prices of olivewood not competitive according to other handicrafts in the international markets.

The target market positioning of the olivewood is shown graphically below in Figure 3.5. Olivewood products must be more differentiated, and the prices must be reduced to be competitive internationally.

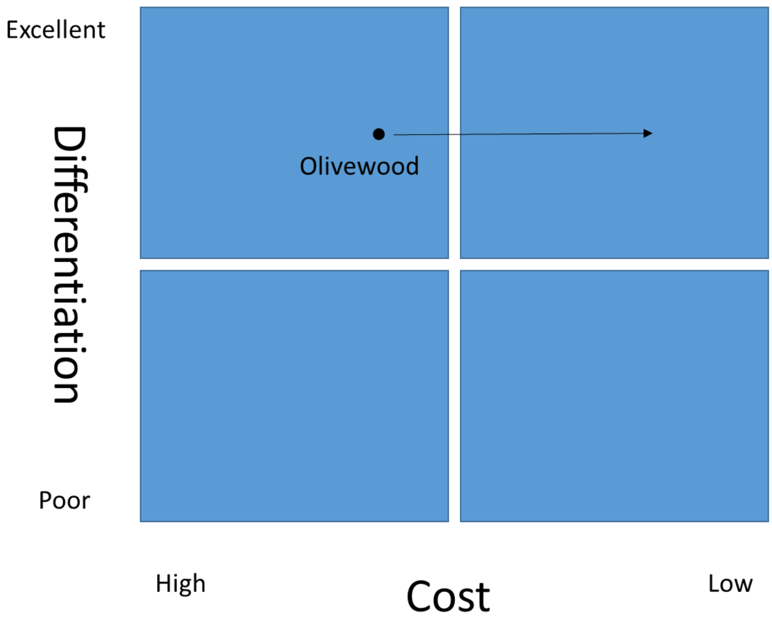

Figure 0.5: Market positioning for the olivewood industry

[17] Ministry of Tourism Unpublished data March13, 2019

The research identifies four key strategies that should be implemented by the olivewood sector.

1. All market segments can be targeted by olivewood factories, so developing new products like kitchen tools and Islamic olive wood handicrafts helps to both access the regional and international market and remain competitive in the marketplace.
2. Enhance the quality of the production by both introducing new machines and establishing an association for olivewood handicraft.
3. Reduce the cost of raw materials by unifying the prices of them. This could be done through official association that buys raw olivewood collectively and resell it to producers. This also controls the quality of the raw material.
4. Develop new marketing strategies based on market studies. This could be the job of an official handicraft association or organization.

Chapter Four:

Methodology & Research design:

This section presents the research methodology, including the research design, population, tools, data collection, and analysis techniques that were used in the study.

The geographical location chosen represents the olivewood industry since the olivewood factories are concentrated in Bethlehem governorate. Namely, in Beit Sahour, Bethlehem and Beit Jala cities. Bethlehem is an important touristic city, renowned for being the birthplace of Jesus. In Particular, Beit Sahour city is famous for being the major producer of handicrafts made from olivewood and mother of pearl. According to the number of olivewood workshops registered in the municipalities 62% of the workshops are in Beit Sahour, 22% are located in Bethlehem, and 14% are located in Beit Jala (Table 1.6).

4.1 Research design

The main objective of the study is to collect detailed information on the stakeholders including artisans, workshops owners, and souvenir stores owners, ministry of tourism, chamber of commerce, educational/ training institutions etc. in the olivewood industry in Bethlehem governorate, therefore a descriptive survey approach was adopted in this study. The data collected from the descriptive survey was useful for identifying variables and hypothetical constructs necessary for investigating the relationship among those variables. A descriptive study is used either to determine the frequency of occurrence for something or the relationship among variables (Bell & Harley, 2018). According to Porter's model, competitive advantage of the industry is determined by the presence or absence of specific variables that influence individual firm competitiveness. Factor conditions, demand conditions, firm structure, strategy and rivalry, and related and supporting industries are the four corners of the diamond plus two externalities, which are chance and government.

The research approach adapts both quantitative and qualitative variables. Kumar (2019) advised that in real life, a combination of quantitative and qualitative research would better achieve most of the research objectives. Quantitative variables were used to identify the firm's structure, strategy; On the other hand, a qualitative approach was followed to collect and test data such as the opinions and attitudes.

4.2 Unit of analysis

"One of the most fundamental considerations in conducting research is to determine what the primary unit that will be the subject of statistical analysis. This is called the unit of analysis" (Salkind, 2010).

Sekaran & Bougie (2013) emphasized the importance of identifying the unit of analysis in determining the research questions, research design, and the variables in the framework. The unit of analysis in this study is the olivewood production units. Therefore, the questionnaire is designed to ask the owner or the responsible person of the olivewood production units.

4.3 Population of the study

It is hard to know the exact number of olivewood production units since the majority of the olivewood workshops are not registered family businesses, and most of craftsmen produce from their own houses. The study population was all olivewood production units in Bethlehem governorate. Since to date, there are 181 olivewood workshops in Bethlehem governorate according to the PCBS statistics for the year, 2017 including elementary home workshops in which one machine is used to produce one kind of crafts like Christmas ornaments. The workshops are concentrated in Beit Sahour city.

4.4 Identifying the study variables

The dependent variable is a nation or industry's competitiveness. In this study, the competitiveness of the olivewood industry will be analyzed and assessed based on the four primary determinants and the two external factors as proposed by Porter, which are factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry. The diamond framework suggested that these determinants independently and as a system create a suitable atmosphere for nations to gain competitive advantage. (Porter 1990; Wang & Chu 2011; Roostika ,Wahyuningsih & Haryono 2015; Gawad & Alkhateeb, & Intezar, 2014; Venkataramanaiah & Kumar 2011; Wanjiku, 2014).

4.5 Sampling

The research followed the convenience sampling technique, which allowed the researcher to obtain basic data and trends from people who are well informed and easy to reach. Because the number of the olivewood workshops is ambiguous and limited, the researcher tried to reach all olivewood workshops in Bethlehem area. Concerning to the percentage distribution of the workshops in Bethlehem governorate, as obtained from the concerned municipalities. Although the most recent statistics of the PCBS indicated that, there were 181 olivewood workshops in Bethlehem for the year, 2017. Some workshops are elementary home workshops, which made it difficult for the researcher to reach and fill the questionnaire. (Figure 1.6).

The questionnaire was completed by personal contact. Many workshops produce from their houses or in the terraces using one machine to produce rosaries or Christmas ornaments. The researcher contacted all municipalities and chamber of commerce to get contacts and addresses for the workshops, but a very minimal number of workshops are registered with them.

Most of the respondents hesitate for questions about taxation and registration fees. According to Kothari (2004), “Natural bias of respondents in the reporting of data is often the cause of a systematic bias in many inquiries”. Generally, respondents understate their incomes if asked about it for tax purposes, but they overstate the same if asked for social status or their affluence. Moreover, in psychological surveys, respondents answer what they think is the ‘correct’ rather than what is right.

4.6 Data collection

Data used in this study were collected from both secondary and primary sources. Secondary data were gathered from different parties like PCBS and field visits to find out about the subject and to learn about the nature of supply; mixed method studies were used as primary data collection techniques where a questionnaire is the main instrument while in depth interview is used partially. First data regarding production processes, artisans, and market related details were gathered from interaction with stakeholders. In-depth Interviews with producers, educational institution, and the souvenir store owner has also been followed. Finally, a structured questionnaire was distributed to the owners of olivewood workshops. Most Of the workshop owners finished there elementary or secondary education. To assure a good understanding of the questions and not missing the questionnaires, the researcher collected face-to-face questionnaires. At the same time, the researcher obtained all the necessary information from the artisans.

The main concepts in this study are operationalized into specific dimensions. Each dimension is classified into distinct components. Every component was used in building the questionnaire questions. The measurements of the attributes of Porter’s diamond model were used in making the questionnaire. Besides, considering measures and questionnaires from previous researches in the literature (Porter, 1990; Venturini & Boccaletti, 1998; Clancy et al, 2001; Bakan & Doğan, 2012).

4.7 Questionnaire components

The questionnaire is broken-down into four main parts. Each part contains a number of structured questions. The first part covered the demographics of the workshop and the artisans. In that section general and descriptive questions about the owner and the workshop were developed. Most of these questions are nominal, dichotomous, and multiple choice.

The second part asks about the role of related and supporting industries in the success and continuity of artisans work in the production of olivewood souvenirs. The balanced rating scale used to identify the importance of each factor.

The third part is concerned about determining the impact of the factor conditions on the competitiveness of the olivewood handicraft industry compared to other Palestinian handicrafts. The balanced rating scale used to identify the importance of each factor.

The fourth part of the questionnaire contains several statements about the workshops strategy, structure and rivalry. The respondents used five point Likert scale to rank the importance of statements about the efficiency of the olivewood production process.

The questionnaire included four main sections, and each section contains several questions related to each section as follows:

4.7.1 Profile of the respondents

- **Age**: asks about the age of the respondent.
- **From whom did you learn the olivewood carving:** asks about how did the owner learn the profession?
- **Number of years in producing olivewood:** asks about how experienced the respondents are in producing olivewood by specifying the number of years they have spent in this profession.
- **Information about the ownership of the workshop:** asks whether the workshop is private ownership or rented.
- **Geographic Location:** workshop’s location in Bethlehem governorate
- **Space of the workshop:** the workshop’s space in the squared meter.

- **Number of rooms in the workshop**: Asks about how many rooms the workshop contains.
- **Number of Labor Force:** asks about the current number of workers in the workshop.
- **Number of machines:** asks about the number of machines available in the workshop.

4.7.2 Information about the activities of the value chain

- **Number of working hours:** asks about how many hours does the owners and their employees work inside the workshop daily on a regular basis.
- **Selling destinations:** the party to which the workshop is selling its final production directly such as souvenir stores, retailers, or internationally.
- **Collection methods:** asks about the way the respondents receive the payments from their customers.
- **Participation in local or and International exhibitions:** asks about whether the respondents participate in local exhibitions.
- **Online marketing:** asks about whether the respondents have online shopping page.
- **Asks about whether the workshop sells its production online:**
- **Source of raw material**: asks about the origin of the raw olivewood used in the production of the handicrafts.
- **Contact times with raw olivewood retailers annually:** asks about the number of times owners contact the raw olivewood retailers yearly**.**

4.7.3 Competitiveness of the olivewood carving industry

- **Factor conditions:** The factor conditions of the firm are measured with three-point Likert scale questions: the availability and high quality and affordable prices of raw materials and the variety of sizes and designs produced. In addition to experienced and qualified artisans and quality of production.
- **Demand conditions:** Demand conditions are measured with a five–point Likert scale. Questions are based on the literature and the interviews. The

demand from locals, demand from local institutions. In addition to the demand from tourists visiting the Holy Land and the role of feedback in production.

- **Firm strategy, structure and rivalry:** workshops strategies in producing, pricing, selling, and competing are measured with a five–point Likert scale.
- **Related and supporting industries:** Collaboration with supplies, selling channels, training institutions, the membership in any official institution. In addition to participation in foreign and local exhibitions, relation with financing institutions are all measured with a three-point Likert scale.

4.7 Data analysis and interpretation

The Statistical Package for Social Sciences (SPSS) computer software was used to analyze the data and to produce a frequency table by using both quantitative and qualitative methods. The statistical analysis includes descriptive statistics to give general descriptive results about the workshop's characteristics, value chain activities and attitudes towards elements of the attributes of the diamond model, one-way ANOVA test is used to compute the analysis of the variance of product, process and marketing innovation by the characteristics of the workshop. Pearson correlation is used to support the testing of the significance of the relationships between the attributes of the diamond model.

4.8 Reliability & validity

Reliability is known as how well the data collection instrument measures whatever it is supposed to measure in terms of consistency and stability of the instrument (Sekaran & Bougie, 2016). While validity is used to find out how accurate, the instrument measures what it was intended to measure. On other words, whether the instrument measures the right concept (Golafshani, 2003).

To ensure that the questionnaire measures the accurate data, a pilot survey had been conducted before the data collection stage, The pilot study targeted mother of pearl workshops to reveal any weaknesses or difficulty in interpreting the questions. Then the wording and formulation of the questions were enhanced based on the results of the pilot study.

4.9 Study limitations

The main problems faced the study is the inaccurate and lack of statistics concerning the number and addresses of the olivewood production units. According to the PCBS there are 181 entities were working in producing olivewood crafts in Bethlehem governorate in 2017. During the fieldwork, the researcher discovered that many artisans work from inside their houses. This could be attributed to the tax evasion, which made it more difficult to reach all the workshops and convince them to participate in the questionnaire. Moreover, most of the workshops inside the houses are limited with one person working in one machine and producing small quantities and specific designs like Christmas tree ornaments.

Chapter Five:

Analysis and Discussions:

The main objective of this study was to determine what builds the competitiveness of the olivewood industry. Hence, we used the variables stated by Porter in his diamond theory to identify the impact and relationships of these variables in the competitiveness of the olivewood industry. Out of the sample of 181 workshops as stated by PCBS (2017), 110 workshop owners have responded to the questionnaire. We considered adequate for the objectives of this study.

5.1 Findings of the research

In this chapter, data is analyzed and relevant interpretations are presented. Findings have been classified and presented into two parts (1) general information of respondents and (2) information relating to the competitiveness of the olivewood industry using Porter's theory.

5.2 Part One: Profile of respondents production units

The first section of the questionnaire contains a set of both open ended and closed ended questions. These questions are twofold: firstly to identify the profile of the olivewood workshops, and secondly to guarantee that data was collected from knowledgeable respondents with relevant experience. The collected data was used to produce frequency tables and to analyze the key characteristics of the workshops. The results are tabulated and summarized:

5.1.1 Information about the owner of the workshop and the workshop

As shown in table 5.1. More than half of the workshop owners surveyed (56.4%) are from the age group between 30 - 49 years, where 29.1% of the respondents are from 50 -60 years. Only 10% of the respondents are from 18-29 years and just 4.5% are above 60 years old.

The results also reveals that 53.6% of the respondents have experience from 10-29 years and 30.9% have experience from 30-49 years. This implies that most of the surveyed olivewood owners are in the middle age group and therefore had the necessary experience in the industry to provide us with relevant information for the study. The results also reveal that 57.3% of the respondents finished their secondary education and 28.2 finished only middle school. Very small percentage of the respondents has diploma and bachelor. These results indicates that most of the olivewood workshops owners surveyed did not go to colleges or universities. Hence, the olivewood carving requires only manual skills and a sense of designing.

Most of the workshop owners follow simple management techniques since most of the workshops are small to medium in size. The results indicate 71.8% of the surveyed workshops are equal or less than 100 square meters. Furthermore, 41.8% of the workshops have two rooms, and 31.8% have just one room. The majority of the workshops (60.9%) have 1-3 employees, and 30% of the workshops have 4-6 employees, the remaining employ more than seven employees.

Our results indicates that 38.2% of the workshops have 1-3 machines needed for production and 35.5% have 4-6 machines just 13.6% have 7-9 machines and 10.9% and the remaining have 10 and above machines. The olivewood carving is still considered a family business where experience is passed through generations.

The results shows that 72.5% of the respondents learnt the profession from a family member and 29.4% from a famous artisan. Moreover, the majority of the respondents (70.9%) owns the place of their workshops and 29.1% rent the property of the workshop. According to the results of the municipalities, most of the workshops are concentrated in Beit Sahour City (Table 1.6). Our results shows that 72.7% of the workshops surveyed are located in Beit Sahour, 19.1% are located in Bethlehem and 8.2% are located in Beit Jala.

Table 0.1: Percentage of the charactaristics of the owners and workshops

Age	**Frequency**	**Percent**
18-29	11	10.0
30-49	62	56.4
50-60	32	29.1
60 and above	5	4.5
Total	110	100.0
Educational Level	**Frequency**	**Percent**
middle school	31	28.2
secondary	63	57.3
Diploma	9	8.2
BA	7	6.4
Total	110	100.0
Experience in years	**Frequency**	**Percent**
less than 10	9	8.2%
10-29	59	53.6%
30-49	34	30.9%
50 and above	8	7.3%
Total	110	100%
Ownership	**Frequency**	**Percent**
Private	78	70.9%
Rented	32	29.1%
Total	110	100%
Location	**Frequency**	**Percent**
Bethlehem	21	19.1%
Beit Sahour	80	72.7%
Beit Jala	9	8.2%
Total	110	100%

Space of the workshop	Frequency		Percent
less than or equal 100	79		71.8%
100 -200	24		21.8%
More than 200	7		6.4%
Total	110		100%
Number of rooms in the workshop	**Frequency**		**Percent**
1.00	35		31.8%
2.00	46		41.8%
3.00	22		20%
4.00	4		3.6%
More than 5	3		0.9%
Total	110		100%
Number of employees	**Frequency**		**Percent**
1-3	67		60.9%
4-6	34		30.9%
7-9	5		4.5%
10-20	4		3.6%
Total	110		100%
Number of machines	**Frequency**		**Percent**
1-3	42		38.2%
4-6	39		35.5%
7-9	15		13.6%
10-20	12		10.9%
20 and above	2		1.8%
Total	110		100%
I learned the olive woodcraft profession	**Responses**		**Percent of Cases**
	N	**Percent**	
From family member	79	68.1%	72.5%
From a famous artisan	32	27.6%	29.4%
At training school	5	4.3%	4.6%
Total	116	100.0%	106.4%

(Source: Research data)

5.1.2 Information about the activities of the Value Chain:

Number of working hours: asks about how many hours does the owners and their employees work inside the workshop daily in regular basis.

Table 0.2: The percentage of the daily working hours in the workshop

Number of daily working hours on a regular basis	Frequency	Percent
8 hours	99	90%
12 hours	9	8.2%
16 hours	2	1.8%
Total	110	100%

(Source: Research data)

Most of the workshops (90%) work 8 hours daily in regular bases, 8.2% workshops work 12 hours daily, and 1.8% workshops work 16 hours daily.

Selling destinations: the party to which the workshop is selling its final production directly such as souvenir stores, retailers or internationally.

Table 0.3: The percentage of each selling destination

You sell your production to	Responses		Percent of Cases
	N	Percent	
Souvenir stores	84	67.7%	76.4%
International	22	17.7%	20.0%
Local retailers	18	14.5%	16.4%
Total	124	100.0%	112.7%

(Source: Research data)

The above table shows that the majority of the workshops, which is 67.7% of them, sell directly to local souvenir stores, only 17.7% sell internationally to their relatives or friends in the United States or Europe, and 14.5% sell their products to local retailers.

Collection methods: asks about the way the respondents receive the payments from their customers.

Table 0.4: The percentage of the method of receiving payments whether Cash or Postponed checks or on sales.

You receive your payments	Responses		Percent of Cases
	N	Percent	
Cash Payments	35	24.8%	31.8%
postponed Checks	96	68.1%	87.3%
On Sales bases	10	7.1%	9.1%
Total	141	100.0%	128.2%

(Source: Research data)

Regarding the collection method, the above table shows that 68.1% of the respondents accept postponed checks for their sale, and 24.8% receive cash payments, while only 7.1% accept to receive payments on sale bases.

Participation in local or and International exhibitions: asks about whether the respondents participate in local exhibitions.

Table 0.5: The Percentage of whether the workshop participate in local and international exhibitions

Participation in local Exhibitions	Frequency	Percent
No	98	89.1%
Sometimes	12	10.9%
Total	110	100%
Participation in International Exhibitions	**Frequency**	**Percent**
No	93	84.5%
Sometimes	14	12.7%
Always	3	2.7%
Total	110	100%

(Source: Research data)

Both local and international exhibitions are not significant. 84.5% of the workshops do not participate in International Exhibitions according to them they do not have the capabilities to afford the registration and travel expresses, nor they have the knowledge about the location and timings of such exhibitions because there is no effective association that is responsible for informing the workshops about exhibitions.

Online marketing: asks about whether the respondents have online shopping page.

Table 0.6: The percentage of workshops that have online marketing and selling page

Online shopping page	Frequency	Percent
Have online shopping page	21	19.1%
Haven't online shopping page	89	80.9%
Total	110	100%

(Source: Research data)

As shown in the above table 80.9% of the respondents have not any kind of online pages for marketing or selling their products, while only 19.1% have online page where they have photos and some information about their products.

Asks about whether the workshop sell its production online:

Table 0.7: The percentage frequency of selling olivewood products online

Selling handicrafts online	Frequency	Percent
Never	90	81.8%
Occasionally	7	6.4%
Sometimes	6	5.5%
Mostly	2	1.8%
Always	5	4.5%
Total	110	100%

(Source: Research data)

The above table indicates that even from the 21 workshops who have online page only 5 workshops sell their products online regularly and 2 mostly, where 6 sometimes and 7 occasionally.

Source of raw material: asks about the origin of the raw olivewood used in the production of the handicrafts.

Table 0.8: The distribution of the origin of raw materials

Source of raw material	Responses		Percent of Cases
	N	Percent	
North of Palestine	110	92.4%	100.0%
Israel	1	.8%	.9%
Italy & Spain	8	6.7%	7.3%
Total	119	100.0%	108.2%

(Source: Research data)

The above table shows that 92.4% of the workshops use raw materials from North of Palestine, only 6.7% use imported raw material.

Contact times with raw olivewood retailers yearly: asks about the number of times owners contact the raw olivewood retailers yearly**.**

Table 0.9: The number of yearly contacts between the workshop owners and raw materials intermediaries

Yearly contact with raw olivewood intermediaries	Frequency	Percent
1	91	82.7%
2	10	9.1%
3 -5	9	8.2%
Total	110	100%

(Source: Research data)

As indicated in table 5.9, 82.7% contact the retailers who supply them with the raw olivewood once a year, and 9.1% contact the retailers twice a year, while only 8.2% contact the retailers from 3 to 5 times yearly.

The majority of the surveyed workshops work 8 hours a day. As stated by the Ministry of Tourism, there are 3 main markets for the olivewood products. (1) Local souvenir stores, (2) Export to the United States and Europe (3) export to countries in the region like Jordan and other Gulf countries (Figure 1.2).

Our results shows that 76.4% of the respondents sell their products directly to souvenir stores and 20% sell their production internationally. Khoury (2014) pointed out that souvenir stores does not pay olivewood workshops immediately instead they pay them on sale basis, which leads to financial problems for the workshops.

Our results reveals that 68.1% of the respondents are paid postponed checks and just 24.8% are paid immediately in cash. The absence of effective association is considered a main obstacle to the enhancement and development of the olivewood sector. In particular opening new channels for marketing and exposing the artisans to new methods of design and production, which leads to creativity and innovation.

The results shows that 89.1% of the artisans do not participate in local exhibitions and 84.5% of the artisans do not participate in international exhibitions. Moreover, 80.9% of the respondents do not have online shopping page and only 19.1% have online shopping page.

The majority of the workshops (81.8%) even those that have online page do not sell their products online. The main source of the raw olivewood is the north of the W.B. The results reveal that 92.4% use raw olivewood from the north of the W.B.

Most responses (82.7%) contact the raw olivewood suppliers once a year.

5.3 Part Two: Competitiveness of the olivewood carving industry

The main objective of the study was to determine the competitiveness of the olivewood carving industry using the Porter’s theory of competitive advantage. According to Porter, it is worth understanding how firms create and sustain competitive advantage. Porter argues that firms compete in international markets not nations. In order to explain what role the nation plays in the process. The Porter’s Diamond Model identifies four principal variables of competitive advantage of a nation; factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry. In addition to two external factors which are government and chance (Porter, 1998).

Porter believed that these factors both individually and collectively create suitable atmosphere for competitive advantage.

Based on Porter's theory and other empirical researches (Vanhove (2002; Kim, 2012; Roostika & Wahyuningsih & Haryono, 2015; Jin & Moon, 2006).

This study set to apply Porter's diamond and explore whether the olivewood carving workshops agreed with the model.

The respondents were asked to rate the role of elements within the related and supporting industries and factor conditions as either very high, moderate or low. The data was analyzed using SPSS. Mean scores, standard deviations (SD) and coefficient of variations (CV) were calculated to enable interpretation of the results.

A mean score of < 2 implies that the importance of the factor was rated low. A mean score of 2 -3 implies moderate importance and 3 - 4 high while a mean score of > 4 implies very high significance. Standard deviation of <1 means that there were no major variations in responses while that >1 implies that there were major variations in responses. Scores of the coefficient of variations gives us the risk per each element. The smaller the variation between a data set the greater the precision. CV scores were combined with the scores of the mean and standard deviation to ensure consistency of the results.

The data was then analyzed using SPSS by way of mean scores and standard deviations to enable interpretation of the results.

5.3.1 Related and supporting industries

Related and supporting industries could share value chain activities within industries. This provide a flow of valuable information and insight, which can help create competitive advantage for an industry (Porter, 1990; Roostika & Wahyuningsih & Haryono, 2015).

Table (5.10) depicts the elements of the Related and supporting industries

Table 0.10 Cross-tabs for the importance of elements of Related and Supporting Industries

Related and supporting industries	Importance			Mean	Standard Deviation	Coefficient of Variation
	No	Moderate	High			
Relationship with suppliers	20.9%	30%	49.1%	3.4	1.1	32.35%
Relationship with Souvenir Stores	23.6%	11.8%	64.5%	3.6	1.2	33.33%
Membership in the olive wood industry association	46.4%	40%	13.6%	2.5	1.0	40%
Access to loans and financing from banks	56.4%	33.6%	10%	2.3	1.0	43%
Training opportunities for craftsmen	55.5%	32.7%	11.8%	2.3	1.0	43%
Availability of complimentary products necessary for production	1.8%	36.4%	61.8%	3.9	0.7	17.9%
Participation in local exhibitions	89.1%	10.9%		1.6	0.4	25%
Participation in international exhibitions	84.5%	12.7%	2.7%	1.7	0.6	35%
Average	47%	26%	31%	2.6	0.8	30%

(Source: Research data)

The table above shows that related and supporting industries had an average mean score of 2.6 indicating that most of the factors were rated to be of a moderate importance to the firms. The standard deviation 0.8 indicates that there were no significant variations in the responses. The availability of complimentary products has the lowest coefficient of variation, which means a low variation in the answers. Related and supporting industries have the weakest impact on the diamond of the olivewood industry. The absence of strong efficient association for olivewood handicrafts with mean score of 2.5 and a high coefficient of variation indicates that there is a weak coordination between the stakeholders in the olivewood industry.

5.3.2 Factor Conditions

Factor conditions are the inputs used to produce, he classifies them as human resources, physical resources, knowledge resources, capital resources, and infrastructure. Porter argues that a nation must deploy its strong factor conditions in an efficient and effective manner (Porter, 1990; Roostika & Wahyuningsih & Haryono, 2015).

Table 5.19 indicates the mean, standard deviation and coefficient of variation of the elements of factor conditions

Table 0.11: Cross-tabs for elements of the Factor Conditions

Factor Conditions	Importance			Mean	Standard Deviation	Coefficient of Variation
	No	Moderate	High			
Skills in producing olive wood handicrafts	4.5%	0.9%	94.5%	4.3	0.6	13.9%
Quality of raw materials (Olive wood)		3.6%	96.4%	4.4	0.2	4.5%
Availability of raw material		2.7%	97.3%	4.4	0.2	4.5%
Prices of raw materials		4.5%	95.5%	4.4	0.3	6.8%
Producing religious handicrafts	0.9%	32.7%	66.4%	3.9	0.7	17.9%
The great diversity of the sizes of olive wood souvenirs		38.2%	61.8%	3.9	0.7	17.9%
The great diversity of the forms of olive wood souvenirs		34.5%	65.5%	3.9	0.7	17.9%
The use of new production methods to reduce production cost		34.5%	65.5%	3.9	0.7	17.9%
The quality of production in the continuity of the craft across generations		16.4%	83.6%	4.2	0.5	13.09%
Average	2.70%	18.67%	80.72%	4.1	0.5	12.19%

(Source: Research data)

Factor conditions had an average mean score of 4.1 implying high importance. There were no significant variations in the responses as the standard deviation was less than one for all the questions. Moreover, most elements had low coefficient of variation indicating consistency of the results. Factor conditions have the strongest effect among the attributes of the diamond. The sustainability of olivewood industry depends mainly on the Holy Land, experienced and talented artisans, high quality of raw materials and quality of production. The workshops emphasized the importance of reducing the cost of production; moreover, the raw olivewood is suitable for producing a wide variety of designs and sizes of handicrafts.

5.3.3 Firm Strategy, Structure and Rivalry

Firms within industries set their goals and strategies that meet the expectations of both individuals and companies. The achievement of these goals can lead to a competitive advantage. Porter further suggests that the domestic rivalry between firms to beat each other as well as to gain market share by regularly refining processes and innovation, can lead to competitive advantage (Porter, 1990; Roostika & Wahyuningsih & Haryono, 2015).

Table 0.12: Cross-tabs for the role of elements of the Firm Strategy, Structure and Rivalry

Elements of the firm strategy, structure and rivalry	never	seldom	some-times	mostly	always	Mean	SD	CV
Pricing for olive wood products depends on the cost of raw materials			2.7%	44.5%	52.7%	4.5	0.5	11.1%
Pricing for olive wood products depends on the time needed to produce the piece	1.8%		7.3%	38.2%	52.7%	4.4	0.7	15.9%
Pricing for olive wood products depends on the relationship with the owners of souvenir stores or who markets your products	61.8%	31.8%	5.5%	0.9%		1.4	0.6	42.8%
There is more than one channel that buy your products	19.1%	9.1%	9.1%	44.5%	18.2%	3.3	1.3	39.4%
You change the Souvenir store or who markets your products based on their price quotes	17.3%	15.5%	13.6%	40.9%	12.7%	3.1	1.3	41.9%
Production depends on your ability to develop and innovate new handicrafts		5.5%	13.6%	57.3%	23.6%	3.9	0.7	17.9%
Your production of designs of olive wood handicrafts depends on what is present in the competitive markets such as Jordan, Egypt, Tunisia	71.8%	22.7%	1.8%	2.7%	0.9%	1.3	0.7	53.8%
Developing new designs regularly		8.2%	46.4%	27.3%	18.2%	3.5	0.8	22.8%
You make agreements or deals with suppliers of raw olive wood	74.5%	16.4%	4.5%	0.9%	3.6%	1.4	0.9	64.3%
Feedback from tourists who buy your handicrafts	20%	40%	28.2%	8.2%	3.6%	2.3	1	43.5%
You market & sell your products online	81.8%	6.4%	5.5%	1.8%	4.5%	1.4	1	71.4%
Local competition with other local producers affects your business		0.9%	4.5%	35.5%	59.1%	4.5	0.6	13.3%

Fake olive wood products imported from China have negative effect on the domestic industry	.09%	.09%	3.6%	38.2%	56.4%	4.4	0.7	15.9%
Average	38.6%	14.2%	11.3%	26.2%	25.5%	3.0	0.8	26.6%

(Source: Research data)

Firm strategy structure and rivalry has an average mean score of 3 indicating moderate importance. The standard deviation of 0.8 implies there were no significant variations in the responses. Pricing strategies, product and design innovation and local and international competition all have low coefficient of variation indicating low variances in the responses. The workshops have indicated good pricing strategies, but the tough competition between local competitors and other imported competing products has a strong negative impact on the competitiveness under the absence of regulations that monitor and direct the producers. Making agreements with suppliers, receiving feedback from customers and selling online are considered with low importance by the workshops be. Because most of the workshops are small family, businesses lack professionalism.

5.3.4 Demand Conditions

Sophisticated home demand plus its size and growth potential plays a role in shaping national advantage. However, while competitive advantage can be realized by the internationalization of domestic demand. The Table below depicts the importance of the local and international demand for the olivewood workshops Porter, 1990; Roostika & Wahyuningsih & Haryono, 2015; Gallagher, 2005).

Table 0.13: Cross-tabs for the role of elements of the demand Conditions

elements of the demand Conditions	Never	Seldom	Some-times	Mostly	Always	Mean	SD	CV
Local residents usually purchase religious olive wood products	15.5%	60.0%	24.5%			2.0	0.6	30.0%
Local residents usually purchase olive wood products as household items	29.1%	51.8%	17.3%	1.8%		1.9	0.7	36.8%
Institutions & official associations purchase olive wood products as gifts	1.8%	3.6%	35.5%	47.3%	11.8%	3.6	0.8	22.2%
Over pricing by souvenir shops to cover the commissions of brokers, tour guides, tourism offices…etc.	2.7%	1.8%	2.7%	50.9%	41.8%	4.2	0.8	19.0%
The diversity of tourist tastes contributes to the development of the industry	1.8%	1.8%	7.3%	31.8%	57.3%	4.4	0.8	18.2%
The quality of your production depends on marketing of the handicrafts produced abroad	0.9%	3.6%	11.8%	41.8%	41.8%	4.2	0.8	19.0%
Your production of handicraft designs depends on the feedback from the souvenir stores or who markets your products abroad	.09%	15.5%	30.9%	27.3%	25.5%	3.6	1	27.8%
Average	7.4%	19.7%	18.6%	33.5%	35.6%	3.4	0.7	20.6%

(Source: Research data)

Demand conditions had an average mean score of 3.4 implying moderate importance. There were no significant variations in the responses as the standard deviation was less than 1. Results show that local demand comes from tourists not local residents. In fact, locals do not buy olivewood products except for gifts to relatives and friends abroad. In contrast, Local institutions and associations whether private or governmental have a stronger role in shaping local demand than local individuals with a mean score of 3.6.

One reason that the workshops are keeping high quality of production and continuous attempts for innovation is the sophistication of demand from tourists with a mean score of 4.2. Despite the fact that the souvenir stores and other retailers raise the prices, which has negative affect on demand with mean score of 4.2. Even though the importance of the demand conditions is moderate in the competitiveness of the industry, the nature of local demand is considered sophisticated because it is directed to tourists from different nationalities.

5.4 Part Three: Correlations results

A correlation analysis was used to look at the strength of the relationships between independent variables which is competitiveness and the factor conditions, the demand conditions, the related and supporting industries and the firm strategy, structure and rivalry. Moreover, correlation between the diamond variables with attitudes of the workshops toward innovation is shown in table 5.14.

Table 0.14: Correlation results between the attributes of the diamond

	Supporting and related industries	**Firm strategy structure and rivalry**	**Factor conditions**	**Demand Conditions**
Supporting and related industries		.245** .010	.026 .784	.013 .896
Firm strategy structure and rivalry	.245** .010		.111 .250	.315** .001
Factor conditions	.026 .784	.111 .250		.239* .012
Demand Conditions	.013 .896	.315** .001	.239* .012	

(Source: Research data)

The results of correlation analysis show that the relationships between supporting and related industries and Firm strategy, structure and rivalry and between and Firm strategy, structure and rivalry and Demand conditions are significant at $p < .01$ level. The relation between Factor conditions and Demand conditions are significant at $p < .05$. All of the measures appeared to be relatively distinct; the largest correlation between the Firm strategy, structure and rivalry and demand conditions is .315 and the lowest correlation between the Demand conditions and the related and supporting industries is 0.013.

5.4.1 Attitudes toward Innovation and Related and Supporting Industries

The table below depicts the correlation between the workshops attitudes toward innovation and the supporting and related industries.

Table 0.15: The correlation results between indicators of innovation and supporting and related industries

	Continuous product innovation	Production depends on innovation	Online marketing and selling	Process of production innovation
Participation in International exhibitions	.502** .000	-.100 .298	.479** .000	.166 .084
Relationship with suppliers	-.252** .008	-.131 .173	-.169 .078	-.080 .407
Relationship with souvenir stores	-.219* .021	-.134 .162	-.230* .016	-.282** .003
Membership in the olive wood industry association	.058 .545	.045 .640	-.055 .567	.070 .469
Training opportunities for craftsmen	.039 .686	-.212* .026	.178 .063	.177 .065
Availability of complimentary products necessary for production	263** .005	.058 .544	.207* .030	.320** .001
Access to loans and financing from banks	.004 .964	-.061 .526	.242* .011	.039 .682

(Source: Research data)

The empirical results indicate that there is some significant positive and negative relationship between the indicators of innovation and the activities of the olivewood cluster. On the other hand, there are insignificant relationships. The strongest relationship is between participation in international exhibitions and continuous product innovation with .502 then the relationship between the Participation in international exhibitions and online marketing and selling. There is also significant negative relationship between relationship with souvenir stores and continuous product innovation and between online selling and process of production innovation. It is clear from the correlation results that the role of the banking system and the handicraft association and the availability of training courses is very weak and not significant. The absence of official powerful olivewood association weakens the related and supporting industries attribute

5.4.2 Attitudes towards Innovation and Factor conditions:

The table below displays the correlation matrix between the indicators of innovation and elements of the factor conditions.

Table 0.16: The correlation results between indicators of innovation and factor conditions

	Continuous product innovation	Production depends on innovation	Online marketing and selling	Process of production innovation
Quality of production over generations	.139 .147	.123 .202	.180 .059	.350** .000
Skills in producing olive wood handicrafts	.172 .072	.053 .584	.096 .319	-.081 .401
Quality of raw materials	-.154 .109	-.002 .981	-.405** .000	-.039 .686
Availability of raw materials	.042 .662	-.002 .984	-.043 .655	-.122 .206
Prices of raw materials	-.011 .907	.054 .574	-.216* .024	.025 .795
Producing religious handicrafts	-.208* .030	-.128 .183	-.228* .016	-.160 .096

	Continuous product innovation	Production depends on innovation	Online marketing and selling	Process of production innovation
The great diversity of the sizes of olive wood souvenirs	.134 .164	-.058 .547	.022 .819	.334** .000
The great diversity of the designs of olive wood souvenirs	.154 .109	-.083 .387	.049 .615	.397** .000

(Source: Research data)

Significant positive relationship exists between the quality of producing olivewood products and the process innovation. There is also positive relation between quality of raw material olivewood and online selling and marketing the ability of producing wide variety of sizes and designs have a significant relationship with selling and marketing online and process innovation. Although the empirical results does not show a lot of significant correlation between the factor conditions and the innovation, the factor conditions have the strongest importance among the diamond attributes and based on the opinions of the respondents factor conditions are the main drivers of the olivewood carving industry sustainability over centuries. Some workshop owners are still producing the same products with the same traditional ways, according to them there is no need for product and process innovation, there is always need for innovation in marketing and selling.

5.4.3 Attitudes toward Innovation and Demand conditions:

Table 5.17 shows the correlation between the innovation and the demand for the olivewood crafts.

Table 0.17: The correlation results between indicators of innovation and demand conditions

	Continuous product innovation	Production depends on innovation	Online marketing and selling	Process of production innovation
Local residents usually purchase religious olive wood products	-.026 .791	-.074 .443	.086 .374	.014 .886
Local residents usually purchase olive wood products as household items	.014 .884	-.099 .304	.245** .010	-.029 .763
Institutions & official associations purchase olive wood products as gifts	-.062 .522	-.137 .152	-.176 .066	-.043 .655
Over pricing by souvenir shops to cover the commissions of brokers, tour guides, tourism offices…etc.	-.045 .639	-.139 .149	-.079 .409	.147 .127
The diversity of tourist tastes contributes to the development of the industry	-.232* .015	-.078 .417	-.498** .000	.080 .405
The quality of your production depends on marketing of the handicrafts produced abroad	.058 .545	-.025 .795	.139 .149	.148 .122
Your production of handicraft designs depends on the feedback from the souvenir stores or who markets your products abroad	.204* .032	.085 .375	.203* .033	.057 .554

(Source: Research data)

It is clear from the empirical results displayed in the table above that the correlation between the demand conditions and the innovation is not very significant in general. The tourists tastes is significant and has a relationship with the product innovation and online selling, moreover, the feedback from tourists has a positive relationship with the product innovation and selling online. It is worth mentioning that results show that innovation does not play any role in the quantity produces and that there is no relation between demand and process innovation. The reason for this is that the industry is still depend on primitive ways of production and none of the workshops surveyed base its production on research.

The industry is considered until now supply driven, the weakness here is not only from the small and primitive workshops but also from all the stakeholders in the industry. That is the lack of strong and effective olivewood cluster.

5.4.4 Attitudes toward Innovation and Firm strategy, structure and rivalry:

Table 5.18 presents the correlation matrix between the firm strategy, structure and rivalry and the indicators of innovation.

Table 0.18: The correlation results between indicators of innovation and firm strategy, structure and rivalry

	Continuous product innovation	Production depends on innovation	Online marketing and selling	Process of production innovation
Pricing for olive wood products depends on the cost of raw materials	.047 .627	.032 .739	.140 .146	-.035 .719
Pricing for olive wood products depends on the time needed to produce the piece	.021 .825	.082 .393	.035 .717	-.044 .646
Pricing for olive wood products depends on the relationship with the owners of souvenir stores or who markets your products	.198* .038	-.139 .147	.135 .160	-.022 .822
There is more than one channel that buy your products	-.168 .079	-.091 .344	-.145 .131	-.224* .019
You change the Souvenir store or who markets your products based on their price quotes	-.360** .000	-.178 .063	-.243* .010	-.084 .384
Production is based on what is produced in other countries like Jordan, Egypt and Tunisia	.220* .021	-.010 .918	.182 .057	.117 .224
You make agreements or deals with suppliers of raw olive wood	.386** .000	.123 .202	.486** .000	.173 .070
Feedback from tourists who buy your handicrafts	-.006 .947	-.196* .040	.027 .776	.028 .771
Fake olive wood products imported from China have negative effect on the domestic industry	-.124 .196	.212* .026	-.269** .004	.146 .129
Local competition with other local producers affects your business	-.052 .589	.123 .201	.076 .429	.032 .744

(Source: Research data)

The empirical results displayed in table 5.18 indicate that there is a strong positive relationship between making agreements with suppliers and both product and marketing innovation. There is also significant negative correlation between first, the effect of the imported Chinese olivewood pieces and the marketing innovation and second, choosing to sell to best price and both product and marketing innovation.

Some researchers consider firm strategy, structure and rivalry as the measure of competitiveness in the diamond model. Sun et al (2010) applied a new model of Porter's diamond setting four independent variables of the diamond model (factor conditions, demand conditions, the related and supporting industries and the government) affect the competitiveness factor which is firm's strategy, structure and rivalry.

5.4.5 One- way ANOVA

Workshop's Profile and Innovation

One-way ANOVA was used to analyze the variance of product, process and marketing innovation by the characteristics of the workshop and artisans.

Table 0.19: One-way ANOVA analysis of variance of product, process and marketing innovation by the characteristics of the workshop

characteristics of the workshop	Product Innovation		Process Innovation		Selling & Marketing Innovation	
	F	Sig	F	Sig	F	Sig
Age	4.259	.007	1.112	.294	1.928	.111
Education	2.248	.087	.494	.484	3.239	.015
Experience	4.287	.007	1.974	.163	3.333	.013
Space of workshop	11.623	.000	1.104	.296	12.910	.000
Number of workers	22.190	.000	3.949	.049	22.91	.000
Selling to Souvenir	3.651	.015	5.715	.019	1.699	.156
Selling International	15.750	.000	5.486	.021	10.024	000
Selling to local retailers	.166	.919	.014	.907	.651	.628

characteristics of the workshop	Product Innovation		Process Innovation		Selling & Marketing Innovation	
Participation in local exhibition	9.210	.000	1.902	.171	10.823	.000
Participation in International exhibitions	16.154	.000	3.051	.084	10.819	.000
Having online page	98.077	.000	4.833	.030	49.928	.000

(Source: Research data)

The one-way ANOVA indicates that there is difference between product innovations in terms of age between owners of workshops, which means that the younger age groups can produce more new and innovative products. In terms of education, there is a difference between innovative and non-innovative workshops in using e- marketing and selling. Experience according to the results plays a role in product and selling innovation, which means that the more experienced the owners the more they are able to innovate products and sell their products online.

Concerning the space of the workshop and the number of workers they are both significant in terms of product innovation and selling online which means when the size of the workshop increase and the number of workers increase the ability and capability of innovation also increase.

It is clear from the ANOVA that workshops that sell their production internationally are more innovative in terms of products and new selling methods. Participation in local and International exhibitions is also highly significant in terms of product and selling innovation, this implies that workshops, which participate in exhibitions, are willing to innovate and continuously developing new products and finding new and modern ways of selling and marketing.

The results also show that workshops that have online page differ from others because they are more concerned with product and selling innovation than the other workshops.

It is clear from the results that the process innovation is not significance and we can conclude that there is no difference in any of the workshops characteristics in terms of process innovation. This goes with our findings that the olivewood industry is considered small to medium enterprises with limited capital, those workshops do not invest in increasing the efficiency of the production. The industry is known for being time consuming necessary for production, although recently new laser machines are used by some producers, they are not suitable for all kinds of handicrafts.

5.4.6 Government

Concerning the role of the government, Most of the respondents stated that the government should have more vital role in creating the suitable environment for competitiveness. When asked about all the official Ministries and associations that are related to handicrafts and tourism, like the Ministry of Tourism, Ministry of Economy, and chamber of commerce in Bethlehem.

All respondents stated that they do not have any important contact with them. There idea is that such Ministries and associations impose financial burdens with no significant benefits or features from them, when asked about what they think about the tax imposed (both income and vat) on the olivewood workshops. The mean score of 4.04 means that most of the respondents believe that the tax is high. They believe that handicrafts manufactures should pay less tax because handicrafts are part of the tourism sector, which is one of the major contributors to the Palestinian GDP.

Table 0.20: Percentages, mean values and standard deviations of respondent's attitudes toward tax.

	Occasionally	Sometimes	Mostly	Always	Mean	SD
Attitudes toward increase in tax	1.8%	21.8%	46.4%	30.0%	4.04	0.77

(Source: Research data)

5.5 Discussion of the major findings

The artisans profile shows that the majority of the olivewood producers can be categorized as small business owners with relevant experience. They are in the productive age and have sufficient level of education (secondary school graduates). The results reveal that Factor conditions have significant effect in enhancing the competitiveness of the industry. The respondents agreed that factor conditions were very important in deriving their competitiveness in the local and global market as well. Most factors were rated of high importance to the firms. These factors included qualified labor force, quality of production, availability of raw materials, religious status.

Demand conditions were rated of moderate importance to the workshops in deriving their global competitiveness. However, demand from local residents was rated very low importance; the local demand is only from tourists. Although the industry is not export oriented, international demand was rated with moderate importance, because it has the highest profit margin and paid in cash.

Respondents rated firm strategy; structure and rivalry of moderate importance but pricing strategies, local competition and competition with imported Chinese products was considered with high importance.

The related and supporting industries was rated with the lowest importance among the diamond attributes except the availability of complementary products necessary for producing, packaging and finishing the handicrafts which was rated with high importance. The results also show the absence of cooperation between the olivewood sector and the educational and training institutions as well as research and development institutions, which is considered a major obstacle that weakens the enterprises' ability to innovate.

Table 0.21: Percentages, mean values and standard deviations of respondent's attitudes towards the availability of training courses

	Not Important	Important	Very Important	Mean	SD
The availability of Training	55.5%	32.7%	11.8%	2.3	1.0

(Source: Research data)

The results below also indicates weaknesses in the value chain. Most of the olivewood workshops do not make any deals or agreements with the suppliers of raw olivewood. Moreover, they do not contact the tourist who buy their products, which of course weakens their competitive advantage.

Table 0.22: Percentages, mean values and standard deviations of the role of making agreements with suppliers.

	Never	*Occasionally*	*Sometimes*	*Mostly*	*Always*	*Mean*	*SD*
Making agreements with suppliers	74.5%	16.4%	4.5%	.9%	3.6%	1.4	0.9

(Source: Research data)

Table 0.23: Percentages, mean values and standard deviations of respondent's attitudes towards the role of feedback in production

	Never	**Occasionally**	**Sometimes**	**Mostly**	**Always**	**Mean**	**SD**
Contacting tourists who buy your products	20%	40%	28.2%	8.2%	3.6%	2.3	1

(Source: Research data)

Findings on objective one reveal that the olivewood industry align with some elements of the main attributes of Porter's diamond model.

Other factors, which plays a role in sustaining the olivewood industry is the strong personal and family relations. Align with Khoury (2014), during bad political situations many small workshop owners travel to the USA with the help of their relatives, and sell their products in malls and churches. This indicates that the olivewood workshops need to consider the unstable political and economic situations in their plans to remain competitive.

All respondents agreed that the political stability in Palestine affects the industry. Most of the respondents stated that during stable political situations, the number of tourists who come to visit the holy places increases. This affects the local demand positively and creates more job opportunities for Palestinian youth both males and females.

Table 0.24: Percentages, mean values and standard deviations of the role of chance when there is political stability

	Occasionally	Sometimes	Mostly	Always	**Mean**	**SD**
Political Stability creates more job opportunities in the olivewood industries	.9%	. 1.8%	18.2%	79.1%	4.7	0.5

(Source: Research data)

All of the workshops surveyed agreed that they had never benefited from the chamber of commerce.
The findings of this study align with of Khoury (2014) in her research on handicrafts industries in Bethlehem governorate. Khoury stated that the competitive advantage of the olivewood industry comes from their association to the holy Land, skilled labor and high quality products. Which are factor conditions. USAID (2009) in their report “The Current Status of Industrial Sector in Palestine” pointed out that one of the major advantages of the handicraft industry are the quality of raw materials manufactured by skilled labor. In addition to high quality handicrafts produced and marketed in the Holy Land. CHF in their report “analysis of the handicrafts sector in Palestine” considered olivewood industry as a well-developed compared to other handicraft industries in Palestine. “Producers are using automated laser cutting tools in production. There also exists a solid understanding of markets with a growing focus on exports and access to importers throughout the US and Europe”.
International Chamber of Commerce in their research “Handicraft Sector in Palestine, 2013” stated that Olivewood is among the handicrafts that are sold in local, Israel and International market with future potential market in Arab Countries, Israel and EU markets. Our results revealed that 17.7% of the surveyed workshops sell their production internationally which implies that the industry is not yet international oriented with strong potential of being so.
Align with the findings of Khoury (2014) and International Chamber of Commerce (2013) the highest profit margins goes to selling internationally. Our correlation results below indicate that there is a positive relationship between selling internationally and some competitiveness indicators. Specifically, receiving cash payments, having online pages and selling their products on line.

Table 0.25: Correlation results between selling internationally, receiving cash payments, online page and online marketing and selling

	Selling internationally	Selling on cash bases	Having online page	Online Marketing & selling
Selling internationally		.683** .000	.567** .000	.473** .000
Selling on cash bases	.683** .000	.	.463** .000	.325** .001
Having online page	.567** .000	.463** .000	.	.788** .000
Online Marketing	.473** .000	.325** .001	.788** .000	.

(Source: Research data)

Align with the findings of the International Chamber of Commerce in their research "Handicraft Sector in Palestine" (2013), the highest margin of the handicrafts price is added by the souvenir stores, and sometimes it is 10 times of the original price sold by the workshops. Our results as the table below shows indicate that 50.9% of the respondents believe that the souvenir stores overprice the handicrafts, which reduce demand.

Table 0.26: Percentages, mean values and standard deviations of respondent's attitudes towards the role of the over pricing by souvenir stores in reducing demand.

	Never	Occasionally	Sometimes	Mostly	Always	Mean	SD
The role of the over pricing by souvenir stores in reducing demand.	2.7%	1.8%	2.7%	50.9%	41.8%	4.2	0.8

(Source: Research data)

Chapter Six:

Evaluations and Future Insights of the Olivewood Industry:

In this chapter, the empirical results that were presented in chapter five are discussed and assessed based on the results of previous studies and this study's field visits. Trends and future insights of the Palestinian olivewood industry are also suggested.

6.1 Workshop owner's profiles

The descriptive results indicate that there is a relationship between product innovations and age of the artisans, which means that the younger age groups can produce newer and innovative products. That contradicts the findings of (Frosch, 2011). Both education and experience of the artisans have mutual relationship in using e- marketing and selling and in product innovation. Experience and skills are considered advanced factors and are important in creating competitive advantage (Porter 1990; Shaffer & Deller & Marcouiller, 2004; Wang & Chu, 2011; Venkataramanaiah, & Kumar, 2011).

6.2 Characteristics of the workshops

The descriptive results of the workshops characteristics indicate that the majority of the workshops are small businesses in terms of size and number of employees. Moreover, they are family business and the profession is passed through generations. This reduces their competitive advantage. This aligns with the findings of (USAID, 2006; Roostika & Wahyuningsih & Haryono, 2015).

The empirical results presented in section 5.1.4 demonstrated that there is a mutual relationship between the workshop's size and the competitive advantage in terms of attitudes toward innovation. This finding aligns with the findings of (Zemplinerová & Hromádková, 2012; Nybakk, 2012; Molero & García, 2008; Yeh-Yun Lin & Yi-Ching Chen, 2007).

In addition, section 5.1.4 demonstrated that there is a positive relationship between innovation and employment. That supports the findings of (Meriküll, 2008; Khatib et al, 2013). The significance of the relationship is stronger in terms of product and marketing innovation. Which aligns with the findings of (Meriküll, 2008).

6.3 Drivers of competitive advantage

The empirical results indicated that there is a positive relationship between some determinants of olivewood competitiveness based on Porter diamond and the artisans' attitudes towards innovation. In particular, every attribute of Porter's model contains some drivers of the olivewood competitiveness.

6.3.1 Factor conditions

Concerning the factor conditions presented in section 5.1.2.2, this study found that the elements of the factor conditions have the strongest effect on the competitiveness of the olivewood industry. The uniqueness of the Holy Land, the crafts, the weather and the cultural sites are all blended together. This creates a special experience to tourists. High quality of raw olivewood performs the basic factor, while skilled labor and experience contribute to the advanced factors. This implies that the availability of skilled labor, raw materials, and infrastructures are perceived to have major impact on the competitiveness of the olivewood sector. This supports the results of (Porter, 1990; Shaffer & Deller & Marcouiller, 2004; Dewally & Shao, 2015; Roostika & Wahyuningsih & Haryono, 2015).

According to the empirical results discussed in section 5.1.3.2, high quality of raw olivewood have mutual relationship with online marketing. This study's field visits and descriptive results clarified that workshops that sell online ensure quality more than workshops that sell only locally. Moreover, the quality of production has a strong relationship with the process innovation. In fact, firms gain competitive advantage over their competitors by lowering cost of production or providing better quality products that are difficult for competitors to imitate (Rosli & Sidek, 2013).

Furthermore, producing religious souvenirs for pilgrims who visit the Holy Land has mutual relationship with continuous product and marketing innovation. This stems from the competitiveness of the Holy Land. This aligns with the findings of (Dwyer and Kim, 2003; Campbell, 2005)

6.3.2 Demand conditions

The descriptive results presented in section 5.1.2.4 revealed that the demand for olivewood products is mainly from tourists who visit the Holy Land. Moreover, the demand factor as identified by statistical analysis (section 5.1.3.3) to have impact on the industry competitiveness in terms of being oriented to tourists and the local demand for the kitchen and home tools. Based on this study's field visits and interviews, demand depends on the sophistication of tourists, associated with their experience, income, and education level. The higher the sophistication of demand the higher the standards of production and design. Thus, Bethlehem as a touristic destination has better and more innovative handicrafts compared to other Palestinian cities. This aligns with the findings of (Edler & Georghiou, 2007; Aschhoff & Sofka 2009; Uyarra & Flanagan 2010; Roostika & Wahyuningsih & Haryono, 2015).

6.3.3 Related and supporting industries

Although the descriptive results (Section 5.1.2.1) revealed a low participation rate in international exhibitions, the empirical results (Section 5.1.3.1) showed that there is a mutual relationship between product innovation and the participation in international exhibition. Other elements of related and supporting activates, like relationship with suppliers, souvenir stores and providers of complementary products have all mutual relationship with innovation. This contributes to the competitiveness of the industry, which contradicts the findings of (Rothwell & Dodgson 1991; Kim, 2012; Roostika & Wahyuningsih & Haryono, 2015)

The empirical results (Section 5.1.3.1) showed no relationship between membership in official organization and innovation. It was clarified from this study field visits that the absence of a strong effective association for olivewood handicrafts draws back the industry. This aligns with the findings of (Arinat, 2016). Although the artisans believed that, the souvenir stores overprice the products (Section 5.1.2.4), which, reduces sales, souvenir stores are still considered the major marketing and selling channel for the olivewood production. Moreover, the descriptive results (Section 5.1.2.1) showed that the majority of the artisans consider the relation with souvenir stores as very important. The field visits showed that souvenir stores not only sell olivewood products, they also help in packaging, marketing and giving feedback for production. Many researchers recommended improving the coordination among related and supporting industries to improve the overall competitiveness of a sector (Cotright, 2006; USAID, 2006; Sarkar & Banerjee, 2007; Venkataramanaiah, & Kumar 2011; Dewally, 2014; Slaper & Ortuzar, 2015). Lack of funding is considered one of the main obstacles facing the olivewood workshops in Bethlehem. This finding supported the findings of (Roostika & Wahyuningsih & Haryono, 2015).

6.3.4 Firm strategy, structure and rivalry

The descriptive results concerning the strategy, structure and rivalry (Section 5.1.2.3) indicated consistent responses in terms of the pricing strategies. Field visits confirmed that some artisans are qualified with enough experience to price their products. However, the absence of official organization that help in artisans capacity building is the main reason for the price conflicts between workshops, which weakens their competitive advantage. Another weakness in this dimension is the lack of exposure to external knowledge. The empirical results (Section 5.1.3.4) showed significant relationship between external knowledge and product innovation. This supports the findings of Huang, Arundel & Hollanders (2010). In

contrast, local competition had no relationship with innovation, which contradicts the findings of (Martin, 2005, Bakan & Dogan, 2012; Sun et al 2010),
The empirical results (Section 5.1.3.4) showed that making agreements with suppliers has a positive relationship with product innovation and online marketing. This study's field visits clarified the role of strong supply chain in innovation.

Based on the above discussion, we conclude that gaining competitive advantage is a necessity for today's businesses. Most of the olivewood workshops are considered small. Moreover, they have to work very hard to gain competitive advantage and compete internationally. Otherwise, giant competitors like Chinese rivals will sweep them away. Our results indicated that the artisans innovate randomly and any innovation in products, process or marketing can be easily imitated. Many researchers emphasized the role of innovation for small and large enterprises to survive and develop. (Boljević A, Strugar M. 2008; Obradovic & Obradovic, 2016). Furthermore, there is a weak coordination between the stakeholders in the olivewood industry, which results in a fragile cluster. Under the absence of official leading organization, the workshops lack professionalism in management and organization.

As mentioned in previous sections of this study, factor conditions are the main drivers of the olivewood competitiveness. Specifically, the uniqueness of the Holy Land.

6.4 Summary

The aim of this study was to determine the factors that build the competitiveness of the olivewood industry in Bethlehem Governorate. To achieve that objective, the study investigated the characteristics of the olivewood industry. In addition, theoretical framework based on porter's diamond model was used to explain what factors derive olivewood competitiveness. The theoretical framework helped to first, explained the most relevant variables that build competitiveness. Second, clarified how the defined variables for competitiveness interact and relate to each other. Finally, helped in interpreting the data.

The main concepts of the competitiveness and handicrafts were extensively explored. To get an easy definition for competitiveness that could be applied to the Palestinian olivewood industry, a commonly used definition of competitiveness based on porter's theory were developed. Afterwards, primary data from the field were collected and a questionnaire was distributed to olivewood workshops in Bethlehem governorate. To check validity and reliability of the questionnaire, a pilot of all mother of pearl workshops in Bethlehem area was conducted. To analyze the characteristics and attributes of the olivewood workshops both quantitative and qualitative approaches were followed.

The olivewood workshops are concentrated in Beit Sahour city. Addresses were obtained from the concerned municipalities and personal contact with the workshops and artisans. The descriptive statistics, one-way ANOVA and the Pearson correlation tests were used to analyze the data obtained from the questionnaire. Pearson correlation test was used to determine if there is a relationship between drivers of innovation and attributes of the diamond. Finally, this study found that factor conditions are the most important determinant for the competitiveness of the olivewood workshops. In addition, demand conditions add a competitive advantage to the workshops especially workshops who sell their products internationally.

6.5 Future insights

This study provided a comprehensive overview of the olivewood industry in Bethlehem governorate. Descriptive analysis of the olivewood sector was performed. In addition, correlation between the drivers of the olivewood competitiveness and innovation was done.

This study detected the most important drivers that would stimulate the olivewood industry to become more competitive. The industry is characterized by the availability of qualified labor force, high quality raw materials and unique religious status. However, some obstacles such as the unstable political constraints and the randomness in the sector are hindering the industry.

This study indicates that there are some entrepreneurial indicators that promote the concept of innovation. This means that there is a shining future for this industry, if artisans and workshop owners continue their efforts towards competitiveness and innovation. Moreover, the future expectations also expect that small workshops can survive and prosper only through strengthening the cluster and being a part of a strong powerful association that leads the sector. This will solve many problems related to marketing, production, logistics and other issues related to the sector.

Chapter Seven:

Conclusions and Recommendations:

Based on the literature review, interviews with many stakeholders in the industry, as well as the results of a structured questionnaire. Short and long-term recommendations are categorized and organized based on the diamond model. In order to strengthen synergies between all the stakeholders in the olivewood industry, some of the recommendations are directed to the workshops and could be implemented on low scale. Other recommendations are directed to legislative council, and other official ministries in order to strengthen the impact of each variable and increase the efficiency of the olivewood industry diamond.

7.1 Conclusions

Olivewood industry is known as the handicraft of Bethlehem since the fifteenth century. It derives its competitive advantage mainly from its relation to the Holy Land and the highly skilled labor. Olivewood workshops produce high quality products with unique symbolism.

The study answered the question about what are the factors that derive the competitiveness of the olivewood industry based on Porter's diamond model. Besides how to stimulate the competitiveness of the olivewood workshops in order to enhance creativity and innovation. The results showed that the majority of the olivewood workshops produce traditional products using traditional tools and equipment. In addition, most of the workshops are family businesses that reduces its financing capabilities and professionalism. However, the study found that workshops that sell internationally have enhanced their competitive advantage. That could be attributed to the fact that, olivewood workshops that sell internationally are highly interested in handicrafts innovation and marketing innovation to compete in external markets.

The study revealed that the factor conditions have the strongest impact on shaping the competitiveness of the olivewood industry. In addition to the Holy Land, artisans have inherited the craft from their parents and grandparents, resulting in qualified human resource and high quality products. For this reason, the demand conditions are also of a strong effect on the competitiveness especially from tourists. The absence of regulations that can protect the rights of innovation especially under the increase of international competition has resulted in a major weakness in the industry's competitiveness.

Concerning the strategy, structure and rivalry, local competition is negatively affecting the industry. That could be attributed to the weak financial position of most of the artisans and low management skills. Hence, it can be concluded that workshops who sell internationally are more competitive than those who sell locally. One of the reasons is in receiving cash payments with better margin, which enhance their interest in innovation. Therefore, this study is the first to be a measure of olivewood sector competitiveness based on Porter's model and thought to be original and valuable.

It is also a helpful source for the latter studies. In addition, this study gains more importance as it is the first to cover this topic in Palestinian handicrafts industry.

With this study done in the olivewood industry, which is one of the most important Palestinian handicrafts. Significant factors that affect the olivewood competitiveness were determined. The results of the study are valuable and have implications for the artisans and the governmental and public institutions. Moreover, the study concluded which factors should the workshops put emphasis on to increase their competitiveness. Considering these factors, some strategic implications are also derived.

7.2 Recommendations to workshops owners and artisans for production

- Improve production efficiency by buying raw olivewood collectively and making deals with suppliers, which reduce cost.
- Enhance products creativity and innovation. This could be done by increasing their knowledge about the products of other countries that are leaders in olivewood production like Tunisia, Italy and Spain.
- Enhance production process by introducing new advanced machines and equipment. This could improve production efficiency and control quality as well.
- Asking for training courses for the workshop’s workers from responsible parties like the Chamber of commerce and Ministry of Tourism to build their skills and improve their efficiency.
- Reduce cost by using the remaining of the raw olivewood in producing new small pieces like Christmas ornaments.
- Enhance product innovation by producing more hybrid pieces that bring more than one traditional handicrafts together.
- Enhance product innovation by producing more none religious handicrafts like kitchen utensils.
- Enhance product innovation by introducing Islamic products.

7.3 Recommendations to concerned governmental and official parties for marketing

Most of the workshops are small to medium family businesses with limited financial resources and low educational level of the artisans. A formal and effective institution or organization can better solve the marketing problems facing the olivewood workshops. Recommendations for the desired organization

- Offer training courses, workshops, and seminars to artisans in all administrative fields and especially in electronic marketing.
- Perform Market studies to assess the status of the handicraft market and explore new markets.
- Control quality through a set of a well-defined standards and specifications. This will facilitate export.
- Organize and facilitate the workshops participation in local and international exhibitions.
- Explore new markets in Arab and Islamic countries by organizing exhibitions there to introduce the olivewood handicrafts there.
- Facilitate the issues related to online sales to encourage small and medium workshops build their own online pages.
- Establish events for tourists where they see the process of carving the olivewood and shopping from a collection of designs and sizes.

7.4 Recommendations to concerned governmental and official entities to reduce taught competition

- Emphasizing specialization to reduce competition and increase marketing opportunities.
- Unify prices of similar pieces by both producers and souvenir stores. This also could be the role of the official organization.
- Workshops should tag their products with stickers like handmade and holy Land products. This will help distinguish them from the imported Chinese products.

7.5 Recommendations to concerned governmental and official entities for the competitiveness and sustainability

All of the governmental bodies like Ministry of Tourism and antique, Ministry of Culture, Ministry of National Economy in addition to Bethlehem Chamber of Commerce and municipalities of the three main cities that produce olivewood handicrafts which are Bethlehem, Beit Sahour and Beit Jala should all work together to develop and sustain the olivewood industry in Bethlehem governorate.

Olivewood carving is the profession of the Christians of Bethlehem since the 15th century when the Franciscan fathers taught them how to make rosaries out of olivewood.

- Increase the corporation and coordination among raw olivewood suppliers, workshops, souvenir stores, retailers, chamber of commerce, and other governmental organizations. Slaper & Ortuzar (2015) pointed out that clusters are economic relationships between firms in a specific region which leads to competitive advantage for the clustered firms, which attract similar enterprises and suppliers to aggregate with those related firms.
- Improving the image of working in the olivewood carving among youth both males and females. This could be the role of the desired official organization by offering training and educational courses and insuring reasonable minimum wages and safe work conditions.
- Encourage expanding of the workshops by providing support in terms of loans.
- Encourage investors to invest in this industry and then corporate with other responsible parties in the olivewood industry to increase exports to national and international markets.
- Invest more in technology in both production and marketing to increase efficiency and reduce cost.
- Identify the local demand and make use of the unsaturated categories.
- Moving from being supply driven to demand driven industry. This is not easy under the unstable political situations. However, having a well-defined supply chain well help even under unstable situations.
- Attract investors with the objective of creating olivewood cluster. This could be the job of The Ministry of Tourism and antique and The Ministry of National Economy

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تقييم واقع التنافسية لصناعة خشب الزيتون في محافظة بيت لحم

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الملخص:

تعتبر حرفة خشب الزيتون واحدة من أهم الصناعات الحرفية الفلسطينية وأكثرها ربحية. تشتهر هذه الصناعة في محافظة بيت لحم حيث تختص كل من مدن بيت لحم الثلاث (بيت لحم، بيت جالا وبيت ساحور) بتصاميم معينة.

صناعة خشب الزيتون تعد جزء من قطاع الصناعات الحرفية الفلسطيني والذي يعد جزء من القطاع السياحي وعليه فان أي تغيرات وتذبذبات في قطاع السياحة تنعكس بشكل سريع ومباشر على الصناعات الحرفية. تؤثر حالات عدم الاستقرار السياسي الذي تمر به المنطقة أحيانا تأثير سلبي على صناعة خشب الزيتون.

أن تطور واستدامة صناعة خشب الزيتون يتطلب زيادة التعاون والتعاضد بين مشاغل خشب الزيتون من جهة وبين المشاغل والأطراف الأخرى المساهمة في الصناعة.

اعتمدت الدراسة على نظرية الميزة التنافسية لبورتر والتي تقوم على تعريف أربعة محددات للميزة التنافسية وهي: عناصر الإنتاج، ظروف الطلب المحلية، الصناعات المغذية والمكملة، استراتيجيات المنظمة وشكل المنافسة المحلية. الهدف الرئيسي من الدراسة هو فهم محددات التنافسية لصناعة خشب الزيتون باستخدام نموذج الماسة لمايكل بورتر وأيضا لتحديد أي عناصر أخرى تؤثر على الميزة التنافسية غير المذكورة في نموج بورتر.

قامت الدراسة بمراجعة الاحصائيات والادبيات التي تتعلق بشكل مباشر بأهدافها ومن مراجع معتمدة.

اتبعت الدراسة المنهج الوصفي حيث ان أدوات جمع البيانات كانت المقابلات المطولة والاستبانة.

استهدفت الاستبانة 110 من أصحاب مشاغل انتاج خشب زيتون في محافظة بيت لحم، تم تنظيم الأسئلة وتوجيهها لتحقيق أهداف الدراسة.

تـم تلخـيص النتـائج التـي تـم الحصـول عليهـا مـن الاسـتبانة، وتحليـل النتـائج باسـتخدام التحليـل الوصـفي ومـن ثـم عـرض النسـب المئويـة والاتجاهـات فـي جـداول. تـم حسـاب متوسـط الـدرجات والانحرافـات المعياريـة وذلـك لقيـاس انتشـار البيانـات علـى مجتمـع العينـة تـم احتسـاب الارتبـاط بـين مؤشـرات الابتكـار وعناصـر نمـوذج الماسـة مـن أجـل تحليـل حجـم العلاقـة بـين عناصـر نموذج الماسة كنظام باستخدام برنامج التحليل الاحصائي .SPSS

أظهـرت نتـائج الدراسـة أنـه علـى الـرغم مـن أن صـناعة خشـب الزيتـون تتمتـع بعوامـل انتـاج قويـة، والطلـب المحلـي الثابـت مـن قبـل السـواح الوافـدين الـى بيـت لحـم خاصـة فـي ظـل أوضـاع سياسـية مسـتقرة. بالإضـافة الـى محـاولات الحـرفيين المسـتمرة للتطـوير والابتكـار، الا أن هـذه العوامل ليست كافية لخلق ميزة تنافسية قوية للصناعة محليا ودوليا.

بنـاءً علـى نمـوذج الماسـة لبـورتر، هنالـك العديـد مـن نقـاط الضـعف المرتبطـة بالتسـويق، المنافسـة، بنـاء القـدرات، الجـودة، مراقبـة الأسـعار وغيرهـا مـن القضـايا التـي تعيـق الصـناعة. مـن أهـم التوصـيات التـي خرجـت بهـا الدراسـة هـي إنشـاء مؤسسـة فعالـة وقويـة يمكنهـا قيـادة صـناعة خشـب الزيتـون ورفـع مسـتوى أدائهـا. توصـية أخـرى يمكـن أن تزيـد مـن التعـاون بـين جميـع أصـحاب المصـلحة فـي صـناعة خشـب الزيتـون هـي توجيـه السياسـات الحكوميـة لجـذب المستثمرين بهدف إنشاء عنقود لصناعة خشب الزيتون.

Appendices

Appendix 1: Questionnaire in Arabic

السادة أصحاب مشاغل خشب الزيتون المحترمون

تقـوم الطالبـة سـهير اسـحق بإعـداد اطروحـة الماجسـتير حـول "واقـع الميـزة التنافسـية لصـناعة خشب الزيتون في محافظة بيت لحم "للحصول على درجة الماجستير في إدارة الاعمال.

ان مشـاركتكم فـي تعبئـة الاسـتبانة مهمـة جـدا للحصـول علـى المعلومـات اللازمـة لاسـتكمال البحث. كما أن الوقت المستغرق لاستكمال الاستبيان لا يتعدى الخمس دقائق.

ومـن المتوقـع ان تسـاهم الدراسـة فـي تطـوير صـناعة خشـب الزيتـون ممـا سـيعود بالفائـدة علـيكم. وسنقوم بإبلاغكم بالنتائج عند الانتهاء من اعداد الدراسة.

المعلومـات الـواردة فـي الاسـتبانة سـوف تسـتخدم لأغـراض البحـث العلمـي وسـوف تعامـل بسرية تامة.

اذ كـان لـديكم أي استفسـارات الرجـاء مراجعـة الباحثـة سـهير اسـحق جـوال 0599218444

بريد الكرتوني suhair@ishaq.com

الشكر والاحترام لحسن تعاونكم

أولاً -المعلومات الشخصية:

1 - العمر: □ 18-29 □ 30-49 □ 50 -60 □ 60 فما فوق

2 - الحالة الاجتماعية: □ متزوج □ أعزب

3 - المؤهـــل العلمـــي: □ اعـــدادي □ ثـــانوي □ دبلـــوم □ بكـــالوريوس فأعلى

4 - تعلمت حرفة خشب الزيتون: الرجاء وضع إشارة (✓) عند الإجابة الصحيحة	
مــن أحــد أفــراد العائلــة (الجــد، الأب، العــم، الاخ)	
من أحد الحرفيين المشهورين	
في معهد تدريب	
غير ذلك حدد	

-5 عدد سنوات الخبرة في مجال صناعة خشب الزيتون: ---------------

6 - ملكيـة المشـغل: □ المكـان ملـك شخصـي □ المكـان مسـتأجر □ غيـر ذلـك حـدد ---- ------

7 - عنوان المشغل: □ بيت لحم □ بيت ساحور □ بيت جالا

8 - مساحة المشغل --------------- متر مربع

9 - عدد الغرف في المشغل ---------------

10 - عدد العمال في المشغل ---------------

11 - عدد الآلات المستخدمة في المشغل---------------

12 - عـدد المـرات التـي تتواصـل فيهـا مـع مـوردي المـواد الخـام اللازمـة لصـناعة الحـرف مـن خشب الزيتون سنويا --------

-13عدد ساعات العمل اليومي بشكل منتظم داخل المشغل

□ 8 ساعات □ 12 ساعة □16 ساعة

14- الرجاء الإجابة عن ما يلي:				
تسوق ما تنتج	□للسنتواري	□للخارج	□للتجار	□أخرى
تدفع لكم محلات السنتواري او من تبيع له منتجاتك	□نقدا	□شيكات مؤجلة	□على رسم البيع	
تقومون بالمشاركة في المعارض المحلية لتسويق منتجاتكم	□لا نشارك	□أحيانا	□بشكل دائم	
تقومون بالمشاركة في المعارض الدولية لتسويق منتجاتكم	□لا نشارك	□أحيانا	□بشكل دائم	
لديكم صفحة تسويق الكتروني على الانترنت أو أحد مواقع التواصل الاجتماعي	□نعم يوجد	□نقوم الان بإنشاء صفحة	□لا يوجد	
مصدر المواد الخام	□بيت لحم والخليل	□شمال الضفة الغربية	□اسرائيل	□مستورد (إيطاليا واسبانيا وغيرها)

ثانياً-بين مدى أهمية العوامل التالية في نجاح واستمرارية عملكم في انتاج التذكارات والتحف من خشب الزيتون				
	العامل	**غير مهم**	**مهم**	**مهم جدا**
1.	العلاقة مع موردي المواد الخام			
2.	العلاقة مع محلات بيع الحرف اليدوية للسياح			
3.	العضوية في اتحاد صناعة خشب الزيتون			
4.	جودة الإنتاج في استمرارية الحرفة عبر الاجيال			
5.	استخدام طرق انتاج جديدة لتخفيف تكلفة الانتاج			
6.	توفر فرص تدريب للحرفيين			
7.	ابتكار تصاميم جديدة			
8.	إمكانية الحصول على القروض والتمويل			

ثالثا -ما هو مدى تأثير العوامل التالية على أهمية صناعة خشب الزيتون كحرفة تذكارية بالنسبة للحرف الأخرى				
	العامل	لا يوجد تأثير	تأثير متوسط	تأثير كبير
1.	مهاراتك في مجال صناعة تحف من خشب الزيتون			
2.	جودة المواد الخام			
3.	توفر المواد الخام			
4.	سعر المواد الخام			
5.	انتاج منتجات تذكارية دينية			
6.	التنوع الكبير في أحجام التحف التذكارية			
7.	التنوع الكبير في اشكال التحف التذكارية			

رابعا-ما مدى أهمية العبارات التالية بخصوص كفاءة العملية الإنتاجية						
	العبارة	مطلقا	نادرا	أحيانا	غالبا	دائما
1	يعتمد التسعير لمنتجات خشب الزيتون على تكلفة المواد الخام					
2	يعتمد التسعير بناء على الوقت اللازم لإنتاج الحرف					
3	يعتمد التسعير لمنتجات خشب الزيتون بناء على العلاقة مع أصحاب السنتواري أو من يسوق لك منتجاتك					
4	تتعامل مع أكثر من سنتواري أو جهة لتسويق منتجاتك					
5	تقوم بتغيير السنتواري أو من يسوق لك منتجاتك بناء على عروض اسعاره					
6	يعتمد انتاجكم لتصاميم الحرف على قدرتكم على تطوير واستحداث منتجات جديدة					
7	يعتمد انتاجكم لتصاميم الحرف على ما هو موجود في الأسواق المنافسة في انتاج حرف خشب الزيتون مثل الأردن، مصر، تونس					
8	تقوم بتطوير تصاميم جديدة من خشب الزيتون					
9	تقوم بإبرام الاتفاقيات او الصفقات مع موردي المواد الخام					
10	تتواصل مع السياح الذين يقومون بشراء منتجاتكم					
11	تقوم بتسويق منتجاتك عبر الانترنت					
12	يقبل السكان المحليين على شراء حرف خشب الزيتون الدينية					
13	يقبل السكان المحليين على شراء حرف خشب الزيتون كالأدوات المنزلية					
14	تقبل المؤسسات والجهات لرسمية على شراء خشب الزيتون كهدايا					

						يقوم السنتوراي أو من يسوق ويبيع حرف خشب الزيتون برفع الأسعار مما يقلل من المبيعات	15
						تنوع أذواق السياح يساهم في تطور الصناعة	16
						تعتمد جودة انتاجكم على تسويق الحرف المنتجة في الخارج	17
						يعتمد انتاجكم لتصاميم الحرف على التغذية الراجعة من السنتواري أو من يسوق لك منتجاتك	18
						تسيء منتجات خشب الزيتون المزيفة والتي يتم استيرادها من الصين للصناعة المحلية	19
						تؤثر المنافسة مع المشاغل الأخرى في المنطقة على عملك	20
						ارتفاع الضرائب المفروضة على مشاغل خشب الزيتون	21
						ازدهار السياحة واستقرار الأوضاع يساهم في جذب الشباب للعمل في مجال خشب الزيتون	22

شكرا لحسن تعاونكم

Appendix 2: Questionnaire in English

Dear Owners of olive wood workshops,

Suhair Ishaq is preparing a research on "The competitive advantage of the olive wood industry in Bethlehem district" to obtain a master's degree in business administration.

Your participation in the questionnaire is very important to obtain the necessary information to complete the research. The time taken to complete the questionnaire does not exceed five minutes.
The study is expected to contribute to the development of the olive wood industry, which will benefit you. We will inform you about the results when the study is completed.
The questionnaire will be used for scientific research purposes and will be treated in strict confidence.
If you have any questions, please contact Suhair Ishaq

Jawwal 0599218444
E-mail suhair@ishaq.com Email

Thank you for your cooperation

Part One:

Personal Information:

1. Age: □18-29 □ 30-49 □50 -60 □ 60 and above

2 - Marital status: □ Married □ Single

3 - Academic Qualifications: □Preparatory □Secondary □Diploma □Bachelor and above

4 – Please put (✓) next to the correct answer:

I learned the olive woodcraft profession:

□From a family member (grandfather, father, uncle, brother)

□From one of the famous craftsmen

□In a training institute

□Other

5- Years of experience in olive wood industry: --------------

6 - Ownership of the workshop:

□The place is personal property

□The place is rented

□Other-----

7. Workshop's address:

□Bethlehem □Beit Sahour □Beit Jala

8 - The area of the workshop is --------------- square meters

9 - Number of rooms in the workshop ---------------

10 - Number of workers in the workshop ---------------

11 - Number of machines in the workshop ---------------

12 - Number of contact times with suppliers of raw olive wood annually --------

13 - Number of daily working hours on a regular basis:

□8 hours □12 hours □16 hours

14. You sell your production to:

□ Local souvenir Shops □Internationally □local dealers □Other

15. You receive your payments:

□Cash □On the sale basses □Deferred checks □Other

16. You participate in local exhibitions to market your products

□Always □Sometimes □Never

17. You participate in international exhibitions to market your products

□Always □Sometimes □Never

18. You have an online or social media-marketing page

□Yes

□Under construction

□No

19. Source of raw material

□ Bethlehem & Hebron

□ North West Bank

□ Israel

□ Imported from Italy & Spain

Part Two

How important are the following factors in the success and continuity of your work in the production of olive wood souvenirs?

	Factor	Very Important	Important	Not Important
1.	Relationship with suppliers of raw materials			
2.	Relationship with Souvenir stores			
3.	Membership in the olive wood industry association			
4.	The quality of production in the continuity of the craft across generations			
5.	The use of new production methods to reduce production cost			
6.	Training opportunities for craftsmen			

7.	Creativity in designs			
8.	Loans and financing			

Part Three:

How important is the impact of the following factors on the importance of the olive wood compared to other Palestinian handicrafts?

	Factor	Great Impact	Medium impact	No impact
1.	Your skills producing olive wood handicrafts			
2.	Quality of raw materials (Olive wood)			
3.	Availability of raw materials (Olive wood)			
4.	Price of raw materials(Olive wood)			
5.	Production of religious souvenirs			
6.	The great diversity of the sizes of olive wood souvenirs			
7.	The great diversity of the forms of olive wood souvenirs			

Part Four:

How important are the following statements regarding the efficiency of the olive wood production process?

	Statement	Always	Mostly	Sometimes	Rarely	Never
1.	Pricing for olive wood products depends on the cost of raw materials					
2.	Pricing for olive wood products depends on the time needed to produce the piece					
3.	Pricing for olive wood products depends on the relationship with the owners of souvenir stores or who markets your products					
4.	You deal with more than one party to market your products					
5.	You change the Souvenir store or who markets your products based on their price quotes					
6.	Your production of handicrafts designs depends on your ability to create new products					
7.	Your production of designs of olive wood handicrafts					

	depends on what is present in the competitive markets such as Jordan, Egypt, Tunisia					
8.	You develop new designs of olive wood					
9.	You make agreements or deals with suppliers of raw olive wood					
10.	Communicate with tourists who purchase your products					
11.	You market your products online					
12.	Local residents usually purchase religious olive wood products					
13.	Local residents usually purchase olive wood products as household items					
14.	Institutions official associations purchase olive wood products as gifts					
15.	The Souvenir stores or those who market and sell your production raise prices, which reduces sales					
16.	The diversity of tourist tastes contributes to the development of the industry					

17.	The quality of your production depends on marketing of the handicrafts produced abroad					
18.	Your production of handicraft designs depends on the feedback from the souvenir stores or who markets your products abroad.					
19.	Fake olive wood products imported from China have negative effect on the domestic industry					
20.	Competition with other local producers in the region affects your business					
21.	High taxes imposed on olive wood workshops					
22.	The prosperity of tourism and the stability of the political situation attract young people to work in the field of olive wood production					

Thank You Very Much