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Strategy Alignment With Value Chain For Sustainable Growth In Technology Related Industries

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Abstract:
Textile industries among other companies are continually declining in production use at Economic Survey 2010 forcing others to close which attributed to "mitumba" and cheap Asian products. The objective of the study is to assess the effectiveness of strategies that are deployed to reduce or eliminate the looming threat of cheap substitute from "mitumba" and Asian product. The study was carried in Bedi, Spin-Knit, Tulips, Ken-Knit and Rivatex employees in Nakuru and Eldoret County. Descriptive design was deployed where questionnaires was administrated to employees as well as an interview to managers. The findings were that technology was highest linked with improvement reflected by high machine replacement, innovation and technology department and the highest cost reducing factor. The cost reduction strategy was rated the second after technology but also technology highest factor followed by sourcing others are lean production, mechanization, recycling and lastly retrenchment respectively as an element of cost reduction. Differentiation strategy was the last where cotton was the highest hence less differentiation in type of material. The conclusion and recommendation are that technology and innovation department should be vibrant in advising the industry on dynamic change of technology because Kenya use manual sewing machine unlike Asian countries that have adopted CAD and CAM system that add value, efficient and cheap in cost. The government should encourage investors as well as farmers for cotton production and raise taxation in "mitumba" industry because it gives low revenue to the country, kills cotton and work force. Differentiation strategy is dependent on technology while customization is common because of the uniform. Cost reduction strategy is linked to technology improvement and sourcing of materials. Hence in summary sourcing should be done in purchase and supply department, the right new technology used in the production unit and much it with the right marketing strategy which are differentiation and cost reduction strategy which aligns it with the value chain.

Key words: *Strategies – Action plan, "Mitumba" – Second hand clothes, CAD – Computer Aided Design, CAM – Computer Aided Manufacturing*

1.Introduction

Local Textile industries have recently faced threats in importation of second hand clothes and imported product from Asia countries. The reasons behind the move to "mitumba" and Asian cloths are price and product quality. Secondhand cloths ("mitumba") are mainly donations from Western Europe and North America intended for the poor in Africa and other parts of the world. This however has not stopped businessmen from selling them and making huge profits. Although second hand clothes trade in Kenya is declining due to the increase of new imports from Asia, it still remains significantly high (Cathy, 2010). On the other hand Asia cloths have not only affected Kenya but oversee the market. This is indicated in Export Processing Zones (EPZ) programme, recorded a downward trend in the performance of key indicators in 2009, as a result of adverse effects of global economic recession, especially in the US Market which is a prime destination of EPZ exports. The situation was further aggravated by unfavourable business environment characterized by high costs of production and stiff competition from Asian countries. The EPZ programme is undergoing transformation to Special Economic Zones (SEZ) with a wider scope of activities envisaged to meet the objectives of the Vision 2030 (Business Daily, 2013). According to the Economic Survey 2010, production in the textile sub-sector continued on a downward trend registering a decline of 17.6% in the Kenya textile industry by 2009.

Hence organizations today face many conflicting problems that must be balanced in order to compete successfully in the world economy. With this happening, competition seems to be every manager's top worry. Organizations are forced to improve on their ways of operating so as to get a commendable share of the market. To achieve this firms resort to business techniques and strategies that would ensure cost reduction while at the same time ensure quality in service delivery. In order to gain the competitive advantage, managers are forced to come up with ways of equipping their workforce with knowledge and skills of performing their duties and responsibilities in an efficient way. They must continually improve performance by reducing costs, innovating processes and products, and improving quality and productivity (Becker and Gerhart, 1996).

Dr. Porter (1980a), professor of Business Administration addressed competitive advantage strategies which were based on creating competitive advantage through differentiation or cost reduction. The Porters' outline the existence of the five basic competitive forces which are; the threat of new entrants, the threat of substitute product or services, the bargaining power of suppliers, the bargaining power of buyer and the intensity of rivalry among existing competitors (Porter, 2008). The threat has come from cloths from Asian countries for the high and middle income bracket and "mitumba" for low income which we can generalize that the main threat is from substitute products that have flooded the market.

This was driven by the following objective:

- To determine how differentiation strategy affects production in management of high competition from substitute goods in the textile industry.
- To identify the cost reduction strategies adopted by textile industries and how effective in managing high substitute goods.
- To establish how technological changes affect production in managing competition from substitute products in the textile industry.

2.Theoretical Framework

Goals indicate what a business unit wants to achieve; strategy describes the game plan for achieving those goals. Every business strategy consists of a marketing strategy plus a compatible technology strategy and sourcing strategy. Although many types of marketing strategies are available, Michael Porter has condensed them into three generic types that provide a good starting point for strategic thinking: overall cost leadership, differentiation, or focus (Porter, 1980b). Hence these three strategies are important in marketing products but since overall cost leadership is to attain the least cost of production. In differentiation the business concentrates on achieving superior performance in an important customer benefit area, such as being the leader in service, quality, style, or technology—but not leading in all of these things. Finally focus is where the business focuses on one or more narrow market segment, getting to know these segments intimately and pursuing either cost leadership or differentiation within the target segment. Hence we can look at technology in relation to production,

2.1.Literature Review On Technology Strategy

The most significant innovations took place in the pre-assembly stage, where computer-aided design (CAD), computer numerical control (CNC) cutting systems, and computer-aided manufacturing (CAM) led to material and labour savings. In the assembly stage, which accounts for 80 per cent of the manufacturing value added (MVA) and of the workforce in the industry, technological change has so far been relatively modest. The main improvements have been microelectronic control units which are attached to the standard industrial sewing machine to handle the most complex tasks. These can either be used to speed up production on task dedicated machines or to increase the flexibility of multi-purpose machines. The major technological innovations of the 1990s are likely to build on these developments. The introduction of computer-based technology has increased the cost of clothing machinery enormously, yet nearly sixty advanced CAD systems are already in Hong Kong, the Republic of Korea and Thailand alone, with over 60 per cent of these having been installed in the last three years.

2.2.Literature Review On Differentiation Strategy

This strategy involves selecting one or more criteria used by buyers in a market - and then positioning the business uniquely to meet those criteria. This strategy is usually associated with charging a premium price for the product often to reflect the higher production costs and extra value-added features provided to the consumer. With differentiation leadership, the business targets much larger markets and aims to achieve competitive advantage across the whole of an industry.

Differentiation is about charging a premium price that more than covers the additional production costs, and about giving customers clear reasons to prefer the product over other, less differentiated products. There are several ways in which this can be achieved, though it is not easy and it requires substantial and sustained marketing investment. The methods include: Superior product quality, branding industry-wide distribution across all major channels and consistent promotional support – often dominated by advertising, sponsorship (Porter, 1985).

2.3.Literature Review On Cost Reduction Strategy

A strategy of cost leadership requires close cooperation between all the functional areas of a business. To be the lowest-cost producer, a firm is likely to achieve or use several of the following: High levels of productivity, High capacity utilization, Use of bargaining power to negotiate the lowest prices for production inputs, Lean production methods (e.g. JIT), Effective use of technology in the production process, Access to the most effective distribution channels. The goal of Cost Leadership Strategy is to offer products or services at the lowest cost in the industry. The challenge of this strategy is to earn a suitable profit for the company, rather than operating at a loss and draining profitability from all market players. Companies such as Walmart succeed with this strategy by featuring low prices on key items on which customers are price-aware, while selling other merchandise at less aggressive discounts.

The production of textile industries in Kenya also have been endowed with large plants and material but still viewing from the past decade the production has been declining making a few to win their business. The research will enable us to identify how cost reduction strategy is used and evaluate how effective it is, despite the industry having a high differentiation in material quality, design and type of garment (Porter 1985).

3.Research Methodology

Descriptive research design according to Donald and Pamela (1998) argues that such a study concerned with finding out, who, what, which and how of a phenomenon is a descriptive design, which is the concern of the current study. The sample of 38 was used through Nassiuma Coefficient of Variation formula (Nassiuma, 2000).

$$S = \frac{N\,(Cv^2)}{Cv^2 + (N-1)\,e^2}$$

Where S = the sample size, N = the population size (2795), CV = the Coefficient of Variation (25%)

e = standard error (4%)

$$S = \frac{2795\,(0.25^2)}{0.25^2 + (2795-1)\,0.04^2} = 38$$

Descriptive statistics namely percentiles, mean, variance and standard deviations were used.

4.Summary Of Findings

The researcher found out that technology strategy was (38%) as rated by the manager, Cost Reduction strategy at (36%) followed by a diversification strategy of (22%) and differentiation strategy at (26%) was the last as in figure 1. About (89%) improvement was linked to strategies and (11%) to other factors. The opinions of the respondent were improving technology (39%) was the highest, followed by Training (19%) then skilled labour (17%), Reward workers (11%), Diversification (11%) and Developing a good supply Chain (8%) table 5.1. From finding technology is rated the highest linked to improvement and as well the highest suggested to be improved so that there can be sustainable development in the textile industry. Sourcing is suggested to be the second improved strategy followed by Human resource that either is trained or skilled to these new changes in technology. It's important to have right skilled labour so that high production and reward those with a good record track.

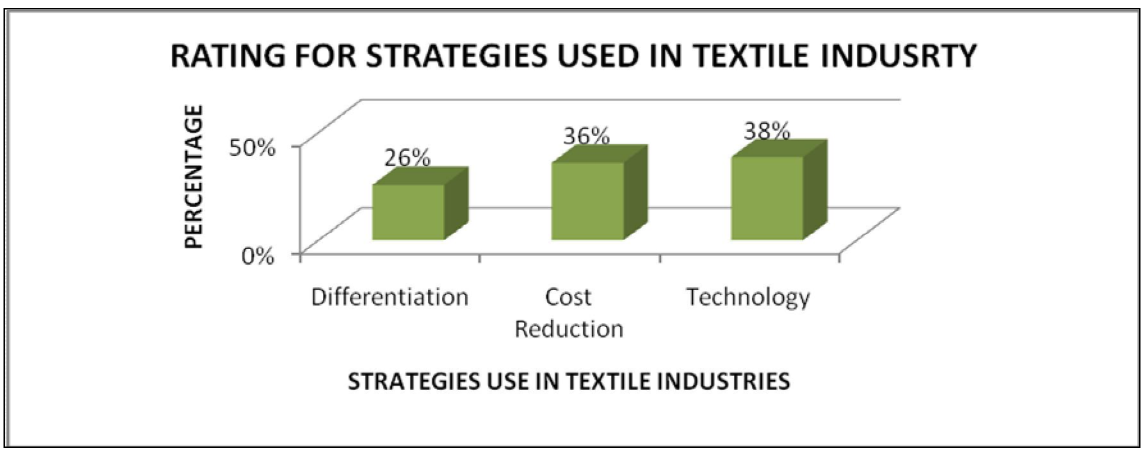

Figure 1: Rating For Strategies Used In Textile Industry

From the scale of 1-5 it was found that New technology (17%) was the highest as a means of reducing costs, then followed by lean production and sourcing of raw material that is ready made raw material at cheap cost at (16%), large production (15%), recycling and mechanization at (14%) and retrenchment was the lowest at (8%). This is represented as follows;

SCALE (1-5) COST REDUCTION	1 (f)	2 (f)	3 (f)	4 (f)	5 (f)	Sum (f)	Weight Mean	% (f)
Retrenchment	15	8	10	2	0	35	1.97	8%
Mechanization	1	2	18	10	5	36	3.44	14%
Large Production	1	2	12	11	9	35	3.71	15%
New Technology	0	1	7	16	12	36	4.08	17%
Sourcing	0	0	10	19	7	36	3.92	16%
Recycling	2	4	8	14	7	35	3.57	14%
Lean Production	0	2	9	12	12	35	3.97	16%

Table 1: Suggested Strategies By Managing To Be Improved In Textile In Kenya

From the data above the highest cost reduction liked to high production are new technology followed by sourcing the other factors revolve in lean production and (JIT) production as seen in figure 2. The relationship of technology strategy and sourcing strategy is that sourcing strategy is found in purchasing and supply department while technology strategy are found in production department unit.

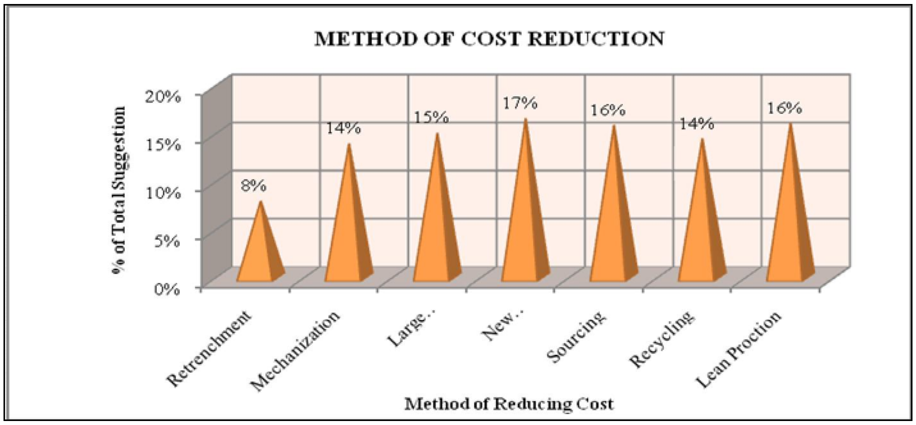

Figure 2: Rating Of Methods Of Cost Reduction

The differentiation strategy was very low since cotton is the most used with (63%) of the companies using it because it is a material locally produced followed by polyester (14%), wool and nylon at (11%) each. The low differentiation is visible when cotton is more dispersed from the other materials. This low differentiation was a tribute to the lack of appropriate technology to generate synthetic fabrics and able to integrate products produced in Kenya which is cotton with other materials. The exports from Asia and other countries were able to make better value added materials, quality and thus cost differentiation these were attributed to the CAD and CAM technology in these countries. The technology is agreed (83%) to be one of the factors of improving production and (17%) disagreed. Technology stands to outshine most of these other strategies because it forms most of this industrial process.

5.Conclusion And Recommendation

The model that would bring sustainable growth would involve integrating sourcing strategy in purchasing and supply department, the right technology in a production unit, the right cost reduction strategy and differentiation in marketing unit and thus would give growth at the end. This combines competitive advantage strategy with right sourcing and the right technology as shown in figure 3. The technology we have in Kenya is slow evolving hence the technology and innovation department should look for new technology like CAD and CAM that is common in Europe and Asia to replace the second hand machine and sewing machines, it is also will improve differentiation and cost reduction. Lack of skilled labour would be created dew to new changes in technology hence training would be advocated by the industrial sector for the government to develop programs that will bring training and development of textile. Cost reduction is also attributed in technology which true the technology according to the literature is responsible for producing in mass with in short time meaning efficiency. Sourcing raw material is another important element in reducing total cost of production; this is by extending other service to be done by another company which is found in purchasing and supplies department. The Kenya government should play a role in inviting investors which develop industries this will channel the new technology from abroad to be practice in Kenya. The reason is that many countries that have done this have overtake Kenya like South Korea, Malaysia among others. The new county system in devolution government should channel funds to farmer and establish the cotton plantation mostly in Nyanza and Western region of Kenya, this will in then raise revenue, employment for the many unemployed youth and source of cheap raw material for textile industry. Customization is important since this a narrow line of production which is more about focus strategy of marketing strategy. These can be summarized by aligning sourcing as a strategy in the purchase and supply department, right new technology in the production unit and match it with the appropriate marketing strategy which are differentiation and cost reduction strategy. This can be only possible in technologically driven industries like textile industries which match with the value chain as seen in the figure 3 as the finding dictated.

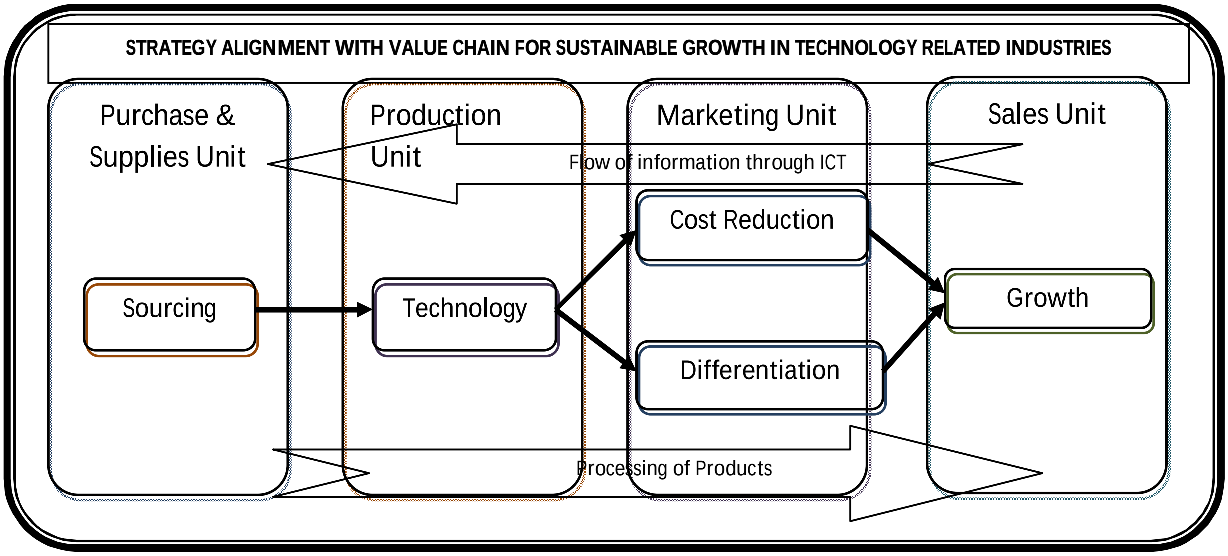

Figure 3: Model Of Strategy Alignment With Value Chain For Sustainable Growth In Technology Related Industries

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