



**STRATEGY ALIGNMENT WITH VALUE
CHAIN FOR SUSTAINABLE GROWTH
IN TECHNOLOGY RELATED
INDUSTRIES**

BY

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INTRODUCTION AND BACKGROUND

Textile industry is a sample of many other organizations facing stiff competition from other companies. Hence organizations today face many conflicting problems that must be balanced in order to compete successfully in the world economy. Dr. Michael E. Porter, professor of Business Administration addressed **competitive advantage strategies** which were based on creating competitive advantage through **differentiation or cost reduction** (Porter, 2008).



INTRODUCTION CONTINUE

The threat come from cloths from Asian countries for the high and middle income bracket and “mitumba” for low income which we can generalized that the main threat is from substitute products that have flooded the market. Hence this a market which filled with cheap product and it mean that specific strategies must be established and implement.



STATEMENT OF THE PROBLEM

Textile industries has recently faced threat in importation of second hand cloths and imported product from other countries. According to the **Economic Survey 2010**, production in the textile sub-sector continued on a downward trend registering a **decline of 17.6% in 2009**. While on one hand the production of knitted fabrics, gunny bags, blankets and cotton woven fabrics **dropped** by **58.3%, 29.9%, 12.3% and 10.7%** in that order, cardigans and toweling materials production **increased** by **7.4% and 7.0%** respectively during the same period.

State of problem continue

The clothing industry recorded a decline of 15.7% in 2009 (K.A.M.,2013). There has being constant decline and some textile industries forced to close their industry. An example of **Raymond limited** – Eldoret, **Kicomi limited** – Kisumu, **Thika textile limited** –Thika and **Londra limited** – Nakuru. The survey showed decline in textile production in Kenya. Though there are other factor like **high cost power, high labor cost in Kenya, poor technology and lack of appropriate technology.**



Statement of problem continue

This factors are more internally which can be improved on so a **competitive advantage** can be created. The evaluation of these strategies which include **reduction of cost, technology, diversification and differentiation** will then find it necessary for industries with such problem to adopt. If no measures and proper research made will lead to **lack employment right now 20,000 workers** are in these industry as oppose to **200,000** at it pick. Lack of **revenue** since mitumba are **not taxed** while government gain **corporate** as well **VAT tax**. **No export products**.



PURPOSE OF RESEARCH

The main objective of the study will be to assess the strategies employed by textile industries in cushioning themselves from competition from substitute's products in Kenya.



Specific Objectives

The study will however seek specifically:

1. To determine how **differentiation strategy** affect production in management of substitute goods in the textile industry.
2. To identify the **cost reduction strategies** adopted by textile industries and how effective they are in Nakuru and Eldoret County in manage substitute goods.
3. To establish how **technological** changes and innovation relate to production in managing competition from substitute products in the textile industry.



RESEARCH QUESTIONS

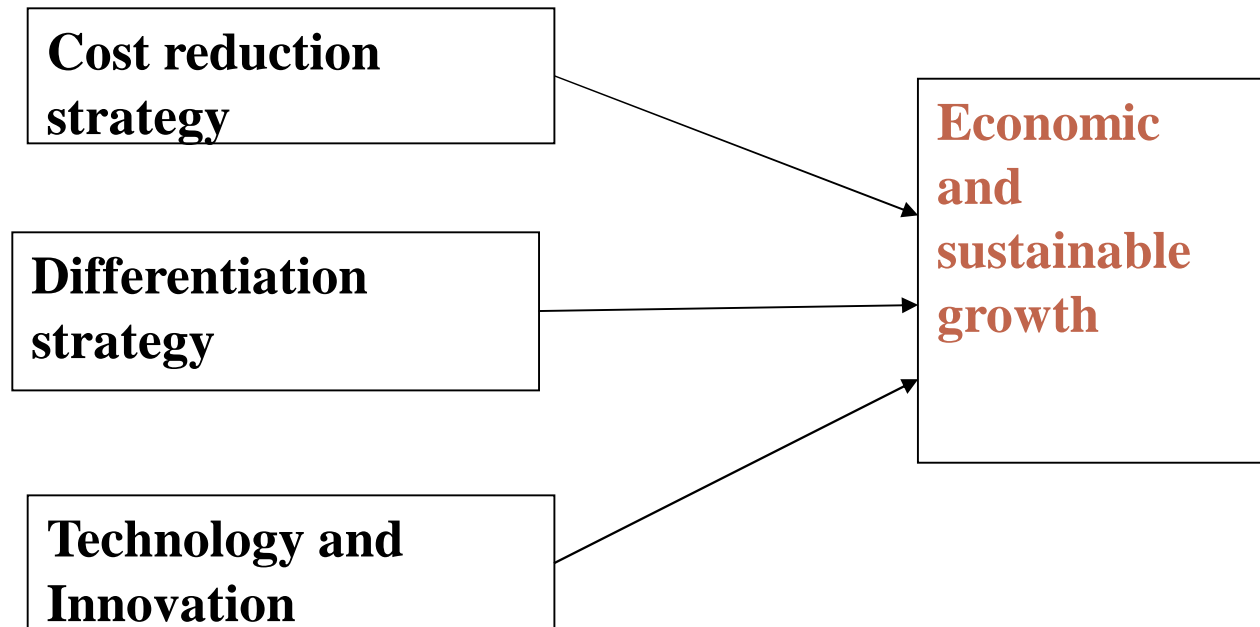
1. How is **differentiation** strategy used to manage substitute goods in the textile industry?
2. How effective does **cost reduction** strategies are adopted to create competitive advantage from substitute goods?
3. Does **technological** changes the rate of production in textile industry and how effective is it?



Significance of the study

The study will be of importance to various textile as well as other organizations. The findings of the study will be useful by the textile industry to attain a **competitive edge** over substitute product as well as rivalry, new entrance, suppliers and buyer purchasing powers. The study will also help the companies attain **market segmentation** for the cloths garment which will in turn enable **specialization and differentiation**.

Conceptual Framework



INDEPENDENT VARIABLE

DEPENDENT VARIABLE



Conceptual Framework continue

The independent variables are cost reduction strategy, differentiation strategy, and technology.

The strategies are measurable through time like technology, number of products for differentiation in given time, cost reduction through financial measure of expenditure and new project that not in line with the industry. The dependant variable is economic and sustainable growth which will be measured through units of sale in give period and profit margin.



2. LITERATURE REVIEW

Introduction

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, 1980).



Theoretical Review

These strategies are;

Overall cost leadership: Here the business works to achieve the lowest production and distribution costs so that it can price lower than competitors and win more market share.

Differentiation: 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.

Focus: Here the business focuses on one or more narrow market segments, getting to know these segments intimately and pursuing either cost leadership or differentiation within the target segment.



Theoretical Framework

The research tend to look at specific strategies which are targeting industry with problem of stiff competition. The strategies are;

Differentiation; This strategy involves selecting one or more criteria used by buyers in a market - and then positioning the business uniquely to meet those criteria.

Cost reduction; With this strategy, the objective is to become the lowest-cost producer in the industry. The traditional method to achieve this objective is to produce on a large scale which enables the business to exploit economies of scale.



Theoretical Framework Continue

Technology and Innovation; The goal of Innovation Strategy is to leapfrog other market players via the introduction of completely new or notably better products or services.



Gap in previous research

Porter model elaborates on how the 5 major forces; rivalry, new entrance, substitute, customers' bargaining power and suppliers' bargaining power affected the competitiveness. Dr. Porter also outlined threat of substitution in an industry affects the competitive environment for the firms in that industry and influences those firms' ability to achieve profitability (Porter, 1985). Hence he gave several general strategies which are not specific on the kind of threat with no specification of these theories.

3. RESEARCH METHODOLOGY

Research design

This was a **descriptive design** intended to establish the extent to which employee development affects organizational performance. 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. A survey study approach is appropriate for collecting both primary and secondary data necessary to accomplish the tasks set out by the objective of the study.



Target Population

The study targets employees of textile industries in Nakuru and Eldoret County.. The industry currently employs 2796 employees approximately through the same pilot survey.

SAMPLING SIZE

The sample size of employees will be obtained using 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%)

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

The **random sample** of about **38 employees** will be given questioners and thus since it is a random sampling technique



SAMPLING PROCEDURE Continues

This was instrumental in facilitating a more accurate analysis of the responses given. An introduction letter informing the respondents on the purpose of the research was used to accompany the questionnaire.

The **questionnaire** was administered to all willing respondents who filled them out either in private or with the assistance of the person administering them in case there was need for assistance.



SAMPLING PROCEDURE

Primary data will be collection through the use of questionnaires which will be administered to the respondents. The questionnaire contained both open ended and close ended questions. The use of open ended questions enabled respondents to express any extra ideas generated by the questions. Close ended questions contained standardized answers and respondents chose from the pre-determined response possibilities.



METHODS OF DATA ANALYSIS

The primary data collected will be edited whereby all questionnaires received from the field will be checked for completeness and errors. The Responses will be coded and analyse using the following tools: frequency tables, pie charts and bar graphs. Descriptive statistics namely; percentiles, mean, variance, correlation of coefficient and standard deviations will be our major techniques to use. The analysed data will be presented using charts, percentages and frequency tables.



4. DATA FINDING AND DISCUSSION

Introduction

This chapter contains data gathered from the field, its analysis and presentation of data. This establishes the purpose of the research, hence finds out the strategies used in textile industries so as to remain competitive in a field full of substitute products.

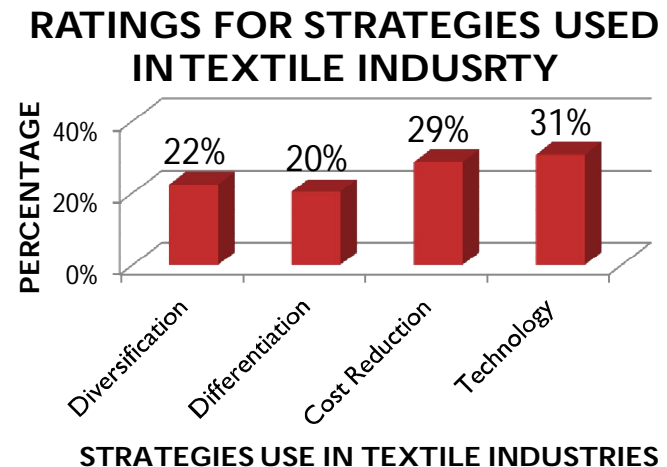
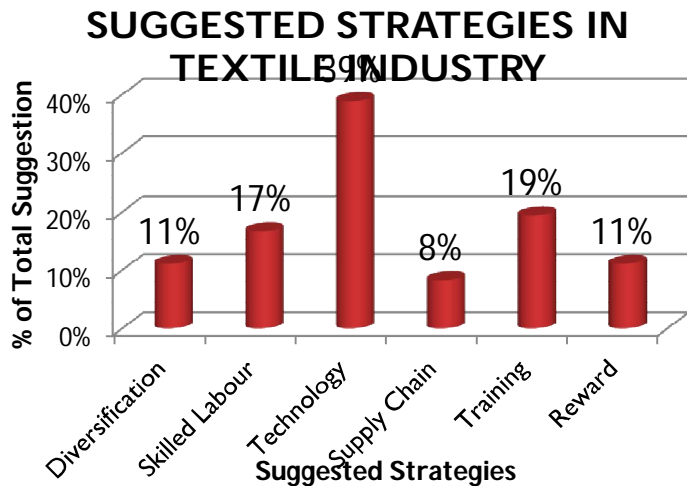


Demography Information

- The questioners presented to the respondent were 38 and but 36 were answered and returned making responses to be (94%). This allowed the researcher to continue with the analysis of the data, since the return rate of 94% was way above that recommended by Magenda and Mugenda (1990) of at least (70%) of data analysis to go on in a descriptive survey design.
- The researcher found that from the respondent most of them had worked for 5-10 years in textile industry which was (53%) of the total respondent for 11-15 years (25%), then 16- 20 years and for 0-5 years (8%) which was insignificant in the research and over 20 years was 3% .

Finding on Strategies

- Most respondent (89%) linked these strategies to the production improvement and (11%) to other factors.
- Views of respondent was to improving technology (39%) was the highest, followed by Training (19%) then skilled labor (17%), Reward workers (11%), Diversification (11%) and Developing a good supply Chain (8%).
- Technology strategy was (31%) was rated by the manager to be highest, Cost Reduction strategy at (29%) followed by diversification strategy at (22%) and differentiation strategy at (20%) was the last.



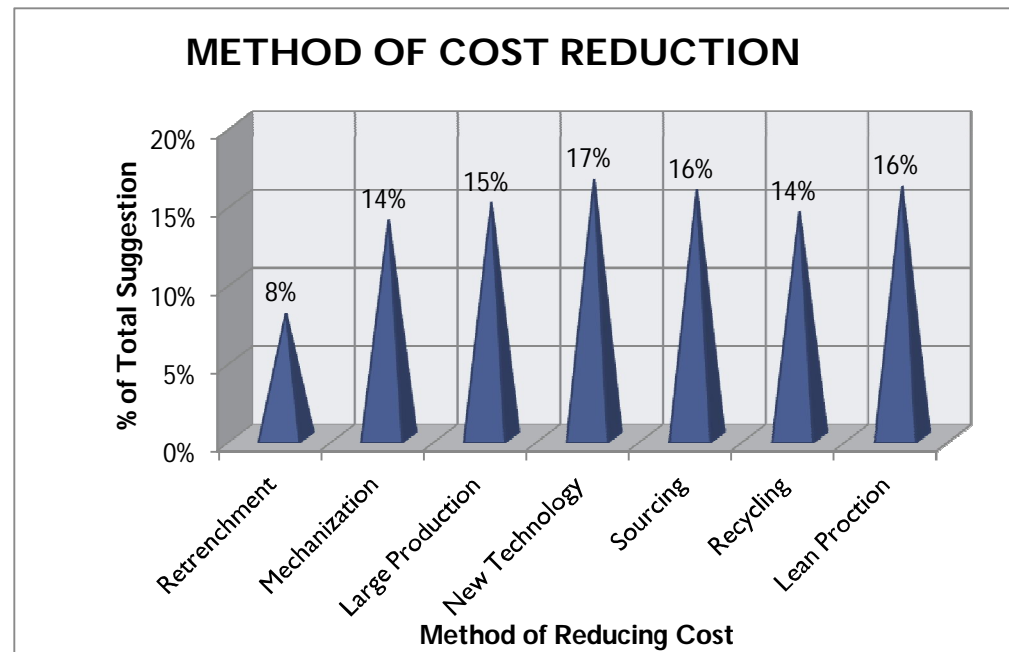


Differentiation Strategy

- Differentiation based on **type of cloths** was rated the **highest** followed by differentiation based on cost. This mean there is low differentiation based materials used.
- The **cotton products (63%)** was rated the highest followed by polyester. Synthetic fabrics are not used in these industries this can be possible if the right new technology can be integrated in this industry.
- The product produced were highly differentiated on type of garment or cloth as seen before though most of the industries tried to specialize in certain line of production like cotton wear, wool or knitted wear and uniforms. The highest were **uniform (18%)** and followed by **sweater, beddings** and **children wear (17%)**.

Cost reduction Strategy

The cost reduction strategy is rated the second after **technology**, from findings the **new technology** (17%) was also rated high way of reducing cost in this industries. These were followed by **sourcing** (16%) and **lean production** (15%) and **mechanization** (14%), **recycling** (14%) and **retrenchment** (8%) were more insignificant.





Technology Strategy

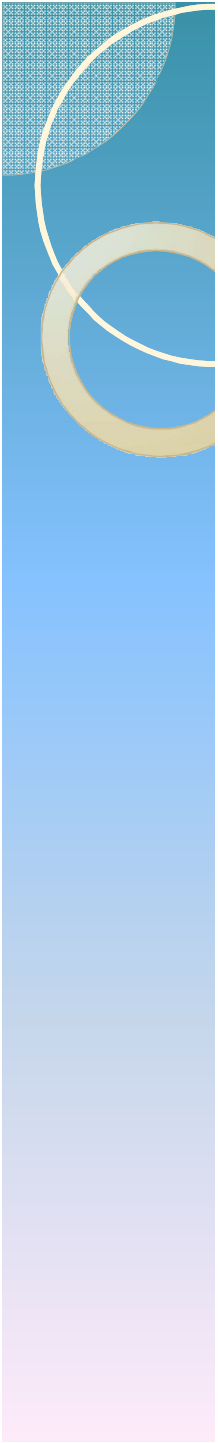
- The technology strategy is highest rated as linked to production about (83%).
- There is high replacement of machine in these industries either those due to wear and tear or improving existing technology.
- There is existence of innovation and technology department (89%) responsible for the change in these industries.
- The new technology was linked with the replacement of machine (83%)but now a new problem was created.
- The training and getting skilled labour is one of the biggest impediments in this industry. The technology strategy was linked to the current change in these industries.



5. CONCLUSIONS AND RECOMMENDATIONS

Summary and Conclusion

- Technology is the leading in changing the textile industry, since one need to merge the right structures with the right marketing strategy and with technology strategy that fit the industry. This shows that the more Kenya textile embrace new technology in the market to avoid being locked out of market.
- They high cost reduction element that has being working changes from most of the textile industry is new technology. The researcher found that skilled labor was low; the training colleges had left the textile courses due to the collapse of some textile industries.
- Diversification is not mostly used in textile industry; this will have assisted in boosting this industry.

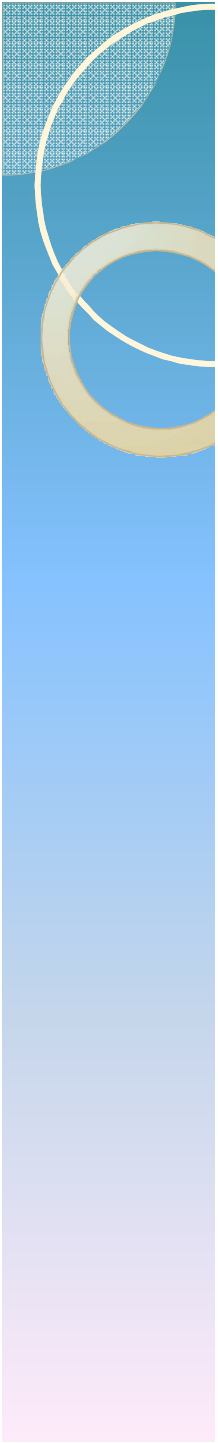


- **Differentiation** is rated the lowest by managers since the **textile companies** use more about the **same raw materials** and the **same products**. The only survival tactics is **regional monopoly** an example in Nakuru county **Bedi** specialized in cloth line that deal with **beddings, towels, sheets, baby ware and uniforms** the main material are **polyester, few cottons** and other sourced material. **Spin-Knit** also produce **Robbin knitting thread** and **sweaters** which uses mostly **wool** considering Eldoret for **Rivatex** for other wear and **Ken-Knit** for **knitting thread** and **sweaters** and also use **wool**.

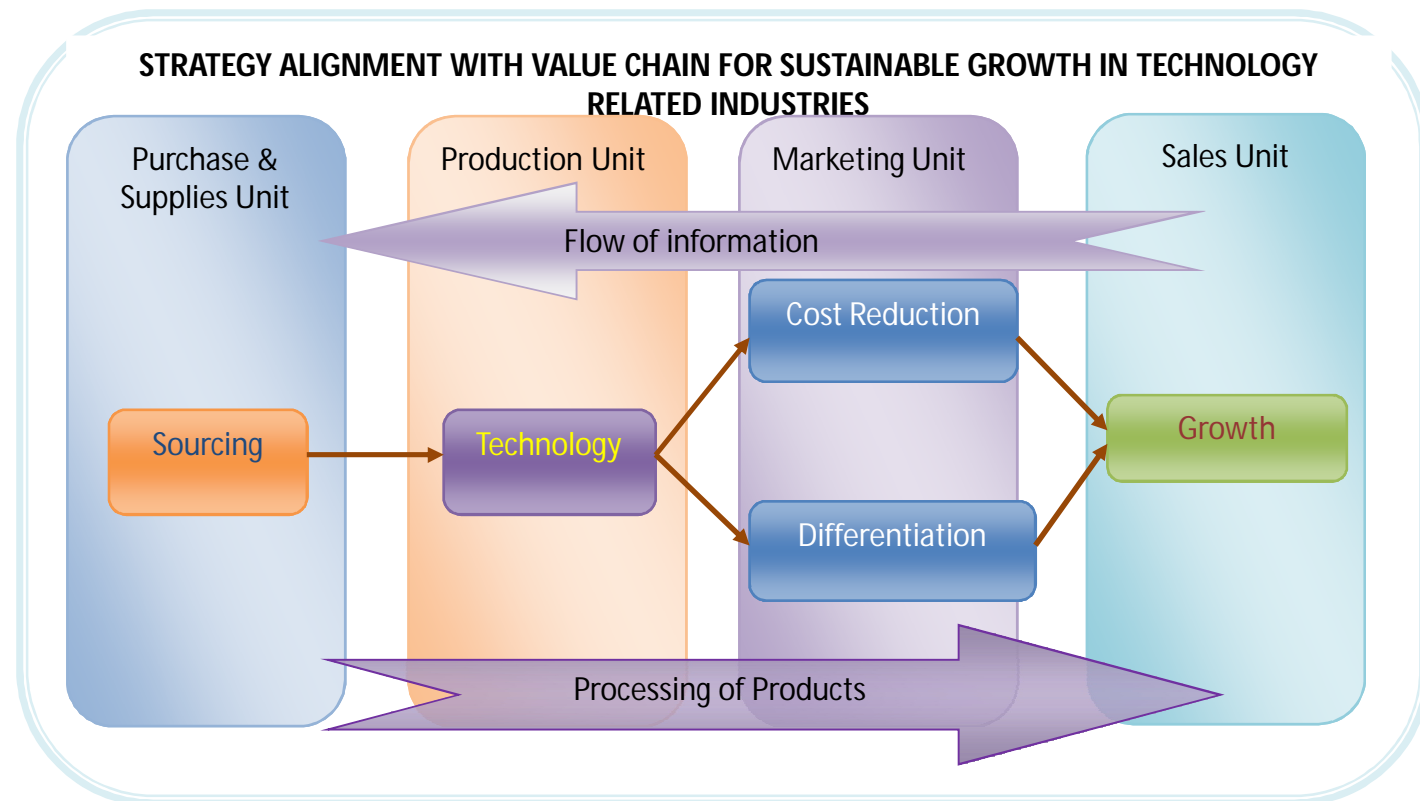


Recommendation

- The department of innovation and technology should act very fast in learning and implementing the dynamic changes in technology.
- The changes in technology mean changes in human resource like the computer age made many to go home or be retrained.
- The government through new county system government should empower the revival of local industries by encouraging farmer on cotton planting, inviting investor to come to develop production of textile product related industries so as to foster growth and development.
- Diversification will assist industry facing threat.

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- Customization is important and since it is associated with marketing this needs the right marketing and research development as well as the right technology to bring this differentiation strategy to be a “cash cow”.
 - Many countries like Malaysia come from humble ground but by encouraging investors which also brought new technology now they are part of Asian made clothes that are cheap to change textile go high until it reaches the government. The right government policies that can encourage investors and all value addition to be done in Kenya actually will improve the industries in Kenya which are dead or deteriorating.

summary sourcing should be done in purchase and supply department, right new technology used in production unit and much it with the right marketing strategy which are differentiation and cost reduction strategy which aligns it with value chain.





THE END
THANK YOU