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Implementation of Competitive Strategies in Textile Industries in Quebec, Canada

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Abstract

Canada is internationally known for garment companies such as Billabong or Van Heusen. The Canadian textile industry employs approximately 36,000 people out of the 23 million in the country. Although fashion is one of the larger exports for Canada, it also provides raw goods and machinery as well. Due to the massive amount of open land in Canada, it is capable of growing a variety of natural textile fibers, such as cotton, hemp, and Banyan tree fibers. Canada's unique natural materials used for textiles make it stand out in the market. However, the textile industries have experience stiff completion both in the importation of raw material and export of finished products in the market. Because various textiles industries in Quebec, Canada still use obsolete technology, the products produced are of low quality, which are not competitive in the market. High production cost makes textiles firms to be more prone to stiff competition. As a result, textile companies as a result is exposed to a risk of losing its market share and experience high employee turnovers, diluting the workforce quality and therefore quality of services offered. Therefore, the study looked into the influence of competitive strategies on performance of textile industry in Quebec, Canada. Descriptive research design was adopted and quantitative data collected was analyzed by the use of ANOVA and inferential statistics. Based on the findings in relation to specific objective, the study concluded that competitive strategies positively lead to competitive advantage. Competitive strategies influences customer satisfaction, ensures superior quality services and products, customer oriented products, and positive feedback from customers. .

Key words; *Cost Leadership Strategies, Focus Strategies, Differentiation Strategies,* Export *Processing Zone & Canada.*

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1.0 Introduction

1.1Background of the Study

The progression of globalization in service industries, accompanied by the changing competitive situation in the world markets, the changing characteristics of trade relations, and the effects of policies and government frameworks have created a new dynamic business environment and a fair market structure shaped by liberation, interdependence and technological enhancements. In view of the highly competitive market, companies must quickly grasp surprising opportunities, respond to threats and outmaneuver their rivals to endure and succeed (Havrila & Gunawardana, 2013).

In the global perspective, competitive strategies have become one of the common concepts employed to approach and describe the sustainable development of the textile and manufacturing industries industry. In Europe, competitive strategies have been adopted to cater for the fast changings needs for the customers of garments of the textile industry. This has become vital for their survival and growth in the international market, in the conditions of improving technology and rising levels of disposable income. As Weller (2017) pointed out, the issue of competitiveness of garments has become increasingly important, particularly for countries and regions that rely heavily on garments. A fabric may be considered competitive if it can attract and satisfy potential customers.

In Canada, the business environment is in an increasing trend of a challenging economic landscape and intense competition. Therefore, managers are increasingly seeking for strategic approaches to accomplish, improve and sustain organizational performance and competitive advantage (Perry, Sohal & Rumpf, 2019). Design and implementation of strategy are perceived as important components in the firm's management process in diverse industries. This has enabled the industries gain a competitive advantage thus giving firms edge over rivals and an ability to generate greater value for the firm and its stakeholders (Bateman & Wu, 2016). Companies operating in the textile industry are facing higher competition in the market for skilled labor in the garment profession and for market share. Customers' expectation and preferences are also increasing from time to time. Because of these and other globalization factors, companies should revise their strategy and invest more amount of money in their premises to compete effectively. They should identify their core competences and unique resources to adopt competitive strategies to get competitive advantage in the high competitive market in the industry (Logan, 2016).

Understanding the behavior of the firm, serves as input to improve practices of competition realizing a high performance and sustainable competitive advantage. Notwithstanding the rapid growth, the textile industry is facing various challenges from external and internal factors in a business environment which affect the organizational performance. Quebec, Canada has been experiencing turbulent times with regard to competition. This has resulted in generally low profits across the economy and this picture is fairly well replicated in the textile Industry (Havrila & Gunawardana, 2016).

Competitive strategies consist of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position. Competitive strategies are employed by firms within a particular Industry. The strategies adopted are expected to relate to performance of the company. From a scheme developed by (Bannister, 2014), long-term strategy should derive from a firm attempt to seek and sustain a competitive advantage based on one of the three generic strategies. These are cost leadership, differentiation and focus strategies.

According to Porter (1985), cost leadership strategies depend on some fairly unique capabilities of the firm to achieve and sustain their low-cost position within the industry of operation. Differentiation strategy refers to a firm striving to create a market unique product for varied customer groups. Competitive strategies dependent on differentiation are designed to appeal to customers with special sensitivity for a particular product attribute. Focus strategy is a marketing strategy in which an organization concentrates its resources on entering or expanding in a narrow market (Peck, 2012). It is usually employed where the company knows its segment and has products/services to competitively satisfy its needs

Firms need competitive strategies to enable them overcome the competitive challenges they experience in the environment where they operate (Thompson & Strickland, 2010). A competitive strategy therefore enables a firm to gain a competitive advantage over its rivals and sustain its success in the market. A firm that does not have appropriate strategies cannot exploit the opportunities available in the market and will automatically fail. A company has a competitive advantage whenever it has an edge over its rivals in securing and defending against competitive forces.

The concept of generic strategies is based on the premise that there are a number of ways in which competitive advantage can be achieved depending on the industry structure (Allen & Helms, 2016). If all firms in an industry followed the principles of competitive strategy, each would choose different bases for competitive advantage and while not all would succeed, the generic strategies provide alternate routes to superior performance (Wicker, Soebbing, Feiler & Breuer, 2015). The generic strategies are approaches to outperforming competitors in the industry. Porter (1985) identifies three potentially successful generic strategic approaches to outperforming other firms in an industry. These are cost leadership, differentiation and focus strategies. This section describes the generic strategies presented by Porter (1985) and explores how heads of departments can use them to define the strategies of departments.

Competitive strategies involves a set of managerial decisions and actions that determine the long term performance of an organization. Furthermore, it involves formulating and implementing strategies that will help in aligning the organization and its environment to achieve organizational goals. Organizations that pursue sustainable competitive practices base the formulation, implementation, and evaluation of their strategies on an analysis of the organizational issues they face (Bannister, 2014). A study by Rothaermel (2015) associated strategy management practices with performance, distinguishing between strategies associated with high and low performance. Strategies which result in high performance are identified with activities that generally lead to success in the organization; that is key success factors. These activities are associated with initiatives in organization. The initiatives in competitive strategies include emphasis on product quality, product and service innovations, development of new operating technologies, and discovery of new markets (Pearce & Robinson, 2014). Activities associated with high performing strategies also include emphasis on customer service and support, extensive advertising, and effective adoption of cost leadership.

1.2 Statement of the Problem

The textile Industry normally thrives because of the garments, the fabrics and the political environment, which attracts a number of investors who frequent for pleasure for business (Weller, 2019). The organizations have to adopt strategies which will ensure it stays afloat, especially with the turbulent environment. With the current flair of insecurities, some of the organizations express their concern that some customers may change their buying pattern to competitors in the country. This requires the organizations to shift the way they do business in order to remain competitive.

Textiles industries in Quebec, Canada experience stiff completion both in the importation of raw material and export of finished products in the market. Because various textiles industries in Quebec, Canada still use obsolete technology, the products produced are of low quality which are not competitive in the market. High production cost makes textiles firms to be more prone to stiff competition. As a result, EPZ companies as a result is exposed to a risk of losing its market share and experience high employee turnovers, diluting the workforce quality and therefore quality of services offered (Linge, 2019). The textile industries further have not diversified in their products in decades. The offer products that are not competitive to meet the current generation needs. Compared to the technology industry that has been adapting fast to the current customer needs, the textile industry has been lagging behind and perhaps the record for continued poor performance. Some of the garments produced are not fashionable and thus cannot compete in the current market. Therefore, there is a compelling need to come up with strategies in the textile sector that can place them to a competitive edge.

1.3 Objectives of the Study

To assess the Implementation of competitive strategies in export processing zone industries in Canada.

2.1 Theoretical Review: Capability Based Theory

The Capability Approach was first articulated by the Indian economist and philosopher Amartya Sen in the 1980s and proposes on individual differences in the ability to transform resources into valuable activities. Grant (2010) argued that capabilities are the source of competitive advantage while resources are the source of capabilities. Amit and Shoemaker (2013) adopted a similar position and suggested that resources do not contribute to sustained competitive advantages for a firm, but its capabilities do. Haas and Hansen (2014) supported the importance of capabilities and suggest that a firm can gain competitive advantage from its ability to apply its capabilities to perform important activities within the firm at a low cost.

Grant (2010) defines organizational capability as, a firm's ability to perform repeatedly a productive task which relates either directly or indirectly to a firm's capacity for creating value through effecting the transformation of inputs to outputs. Grant (2010) also divides capability into four categories: cross-functional capabilities, broad-functional capabilities, activity-related capabilities and specialized capabilities. McQuarrie (2014) stressed the importance of organizational learning. It has been argued by Lee and Lee (2010) that the ability to learn and create new knowledge is essential for gaining competitive advantage.

Ray, Barney and Muhanna (2011) defined capabilities in contrast to resources, as 'a firm's capacity to deploy resources, usually in combination using organizational processes, and affect a desired end in cost advantage. They are information-based, tangible or intangible processes that are firm-specific and developed over time through complex interactions among the firm's resources'. Hamel and Prahalad (2011) define dynamic capabilities as, the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. Based on capability view theory, the firm is able to determine where it has an upper hand over its competitors and therefore focus on a certain market where it is likely to beat the competitors. Therefore, the firm will achieve its competitive advantage by segmenting the market and focus on products or services that it is good at.

The capabilities based theory is relevant as it can be adopted in textile industry for firm level competitive advantage under strong innovation-driven competition. This will help in analyzing the opportunities and threats. This is because dynamic capabilities govern organizational capabilities that allow firms to generate greater profits by developing and producing differentiated products and services which address new and existing market demands. Dynamic capabilities determine the speed and degree to which a firm's difficult-to-imitate resources can be deployed and re-deployed in line with the firm's strategy and marketplace requirements. Strong dynamic capabilities will enable the firms to produce not only the best of their product type or service but something that is unique and exceptional in the value created.

3.0 Research Methodology

Descriptive research design was adopted because the study sought to describe one variable in a population at the selected EPZ companies. Quantitative data collected was analyzed by the use of ANOVA and inferential statistics. A critical p value of 0.05 was used to determine whether the overall model significance.

4.0 Data Analysis and Discussion

The study sought to carry out regression analysis to establish the statistical significance relationship between the cost leadership strategy, focus strategy and differentiation strategy on firm performance in textile EPZ companies in Quebec, Canada. According to Chatterjee and Hadi (2015), regression analysis is a statistical process of estimating the relationship among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent and one or more independent variables. More specifically, regression analysis helps one to understand how the typical value of the dependent variable changes when any one of the independent variable is varied, while the other independent variables are held fixed (Gunst, 2018).

The results presented in Table 1 present the fitness of model used of the regression model in explaining the study phenomena.

Table 1: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.771a	0.595	0.584	0.2863

The variables cost leadership strategy; focus strategy and differentiation strategy were found to be satisfactory variables in explaining firm performance in textile EPZ companies in Quebec, Canada. This is supported by coefficient of determination also known as the R square of 0.595. This means that cost leadership strategy, focus strategy and differentiation strategy explain 59.5% of the

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variations in the dependent variable, which is firm performance in textile EPZ companies in Quebec, Canada. This results further means that the model applied to link the relationship of the variables was satisfactory.

The Analysis of Variance (ANOVA) results are shown in Table 2.

Table 2: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	13.734	3	4.578	55.847	.000
Residual	9.345	114	0.082		
Total	23.08	117			

The findings further confirm that the regression model of is significant and supported by F=55.847 p<0.000) since p-values was 0.000 which is less than 0.05. The study conducted a regression of coefficient analysis to establish the statistical significance relationship between the independents variables notably cost leadership strategy, focus strategy and differentiation strategy on the dependent variable that was firm performance in textile EPZ companies in Quebec, Canada. The regression of coefficient results are as shown in Table 3.

Table 3: Regression of Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.631	0.082		32.09	0.000
Cost Leadership strategy	0.103	0.041	0.274	2.532	0.013
Focus strategy	0.129	0.038	0.364	3.403	0.001
Differentiation strategy	0.078	0.038	0.198	2.045	0.043

The regression of coefficients results show that cost leadership strategy and firm performance is positively and significantly related (β=0.103, p=0.013). The results further indicated that Focus strategy and firm performance are positively and significantly related (β= 0.129, p=0.001). Lastly, results showed that differentiation strategy and firm performance were positive and significant (β =0.0.078, p=0.043). Thus, we rejected the hypothesis that cost leadership strategy, focus strategy and differentiation strategy do not have a significant effect on firm performance of the textile industries since the p-values were less than the critical 0.05.

The multiple regression model was presented as follows.

$Y= 2.631+ 0.103X_1 + 0.129X_2 + 0.078X_3$

Where:

Y = Firm performance X_1 = Cost leadership strategy X_2 = Focus strategy and

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X_3 = Differentiation strategy

5.0 Conclusion and Recommendations

The study sought to determine the influence of competitive strategies on firm performance in textile industry in Quebec, Canada. The study concluded that competitive strategies played a significant role on firm performance in textile industry in Quebec, Canada. This is because there existed a positive and significant relationship between cost leadership strategy, focus strategy and differentiation strategy on firm performance in textile EPZ companies in Quebec, Canada. Based on the findings in relation to specific objective, the study concluded that competitive strategies positively lead to competitive advantage. Competitive strategies influences customer satisfaction, ensures superior quality services and products, customer oriented products, and positive feedback from customers.

The study recommends that the textile organizations should focus on adopting competitive strategies to improve organizational performance through increasing customer base, asset quality, quality of service and increased market share. The study recommended that for the textile companies to perform effectively on its financial performance clear strategies that guides it operation should be formulated and guidelines be provided to all the concerned departments in order to eradicate occurrence of compromise. In order for textile companies to achieve their goals, i.e. Profitability, large market share and customer retention, there should be effective strategies that cater for the customer needs, organization goals and environmental changes.

To enhance customer satisfaction and eventual performance the study recommends that customers should be treated well since they are the key assets in organization’s survival, hence strategies set should be focus on quality of service .strategies adopted by organization should be adaptive to changes in the external environment and should be continually evaluated through frequent competitor analysis, SWOT analysis, stakeholder opinion polls and ensuring adherence to corporate governance practices if performance is to be continually enhanced.

The study recommends that organizations should focus on adopting strategic change practices so as to improve organizational performance through increasing customer base, asset quality, quality of service and increased market share. The study recommended that effective performance of a company must entail strategies that offer clarity for guidance concerning financial operations. All the concerned departments should be provided with the guidance formulated in order to eradicate occurrence of compromise. In order for organizations to achieve their goals

Finally, the study recommends that a great deal of managerial attention is necessary in order to achieve cost efficiency. Cost leadership requires the construction of efficient-scale facilities and a vigorous pursuit of cost reduction in areas such as research and development, service and marketing. A low-cost strategy should involve developing educational products that is simple to produce and has a low price and finally a high market share.

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