

**EFFECTS OF GLOBALIZATION ON THE PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES IN THE TEXTILE INDUSTRY IN KENYA
(A CASE OF RICARDO (EPZ) INTERNATIONAL KENYA)**

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ABSTRACT

Globalization has opened economies locally and internationally increasing cross border trade and investments, thus spurring the competition. This has however, inserted pressure on the small and medium enterprises, especially in the textile industry in Kenya, whose performance is currently very poor. The purpose of this study was to analyze the effects of globalization on the performance of SMEs in the textile industry in Kenya. The sample size was determined using stratified sampling and the sample population for this study will consist of 105 preselected employees from Ricardo (EPZ) International. The study adopted exploratory and descriptive research designs. Structured questionnaires were used in this study to collect primary data. Quantitative data collected was analysed using descriptive statistics by the help of SPSS (V. 20) which is the latest version, and presented through frequencies, percentages, means and standard deviations in tables, figures and charts and in addition, multiple regressions used to establish the

relationship between the dependent and the independent variables. The results have shed light on the state of performance of SMEs practice and use of local organizations in this area, and show currently adopted technologies and the barriers that prevent their optimization. The findings show that there is a need for support for the SMEs to enhance their Performance. Creation of more widespread awareness about globalization, better provision of the requisite technologies, as well as adequate training and skills upgrading and updating are some of the support that would help SMEs plan strategically. The results clearly indicate the need to provide support to SMEs if they are to successfully manage globalization and benefit from it. Accordingly, support to overcome the identified barriers of globalization need to be recognized.

INTRODUCTION

Globalization has opened economies locally and internationally with various governments negotiating major reductions in trade barriers and establishing international and regional agreements to promote trade in goods and services, investments and protect traders. Taking advantage of new opportunities in foreign markets, Small and medium enterprises have built local and also foreign factories and established production and marketing arrangements with foreign partners. A defining feature of globalization, therefore, is an international industrial and financial business structure. This has contributed to the increased cross-border trade and investment. As indicated by Friedman (2007) the volume of the world trade has increased by 20 times, and from just 1997 to 1999 flows of foreign investment nearly doubled, from \$ 468billion to \$827 billion. This has also had ripple effect on specific products. Specifically the textile industry has seen a rampant growth.

Textile manufacturing has been practiced for decades before the 20th century and over the years, the industry has grown into what is it today as technology advances. Globally, the textile and garment

industry has seen a steady rise as a result of more machinery introduction. This is indicated by the increase of the textile machinery manufacturing hubs like China, Germany, Italy, Switzerland and India that are leading the market by crafting best technologies in textile machineries. A ready market for export fueled by the intense globalization has also led to this positive growth. For instance, in 2002, textiles and garment manufacturing accounted for \$400 billion in global exports, representing 6% of world trade and 8% of world trade in manufactured goods according to a report by Ashish (2006). This global market is dominated by the developed countries including the European Union, the United States, Canada, China, Japan and developing countries as well.

The global textile and clothing industry is estimated to be worth approximately US\$ 4,395 billion with global trade totaling US\$ 600 billion. The United States provides the largest market and continues to grow with estimates at 5% per year. In combination, the United States and European Union nations account for 64% of global clothing consumption (Bradstreet, 2011). A report done by Dan & Bradstreet, (2013, USA) on globalization and its impact indicates that the textile industry in the United States is globally competitive, ranking fourth in global export value behind China, India and Germany. It also mentions that between 2010 and 2012, the U.S. exports of textiles increased by 12 percent to \$17.1 Billion. The free trade agreement partner countries receive more than 65 percent of U.S. textile exports. The power behind this impressive performance in the textile sector is the fact that the textile industry workers are highly skilled and the industry is technologically advanced, with investments upward of \$1.2 billion annually in total capital expenditures. In recent years, U.S. textile companies have focused on retooling their businesses, finding more effective work processes, investing in niche products and markets, and controlling costs. China is the world's largest textile manufacturer and exporter. This Asian state has invested heavily on machinery manufacturing for the textile sector and has thus managed to overpower other countries in the world. A report by Kin Hua, (2014 The China Textile Network

Company) indicates that China is the most important exporter of ready-made garments to Germany and emphasizes that despite the significant reduction in the order volume, it will remain the most important sourcing market for apparel for Germany. According to a report by the German Statistical Office (2014) apparel imports from China reached a volume of 7.9 Billion Euro in 2013. Since 2011, the total volume has steadily decreased from 8.9 Billion.

The local Perspective of the Textile Industry

The textile sub-sector constitutes an important component of the manufacturing sector in the country. It is one of the key sub-sectors targeted under the country's strategy for economic recovery (GOK, 2003) for improvement. In the first decade following the country's independence in 1963, manufacturing output in Kenya increased at the rate of 9-10 percent per annum on average, with notable expansion in the textile and garments production. At the time, public policy targeted import substituting industries for promotion (IPAR, 1996).

Significant changes in the global regulatory environment affecting Kenya, including preferential trade arrangements with the European Union and the United States (African Growth and Opportunity Act), resulted in tremendous growth in promising export textile production prior to the end of the Multi-fiber Arrangement (MFA) on January 1, 2005. Nevertheless, the textile industry ranked first among Kenya's manufacturing sectors in terms of both size and employment. Gains experienced by the sector in the post-AGOA environment include a tripling of Kenyan textile exports from USD \$45 million in 2001 to USD \$150 million in 2003 (Flint, 2004). Following independence, the textile industrial sub-sector was identified by the government as a "core industry" with the potential for inducing rapid economic development in Kenya under national Import Substitution Industry (ISI) strategies. Local cloth

manufacturing expanded from six weaving mills in operation by 1963 to 52 weaving mills by 1983 (GOK, 2003).

The collapse of the domestic textile manufacturing sector is linked to market liberalization in the 1990s affecting both local cotton production and the importation of secondhand clothing. The 1990s saw the downfall of some of the major SMEs in the manufacturing sector such as the Rift Valley Textiles (RIVATEX) in Eldoret, which closed in 1998, and Nanyuki's Mount Kenya Textile (MOUNTEX), which operated on and off through the late 1990s before closing in 2000 (East African Standard, 2003). Current export textile manufacture in Kenya relies on comparatively cheap Asian cloth imports, which in part contributed to the cessation of local print cloth production. Preliminary research suggests these manufacturing ties to India, in particular, where many of these imports are sourced, are based on long-standing relationships between families and associates of the same regional and ethnic identities as their counterparts in Kenya.

These South-South linkages in the production, trade, and consumption of textiles and apparel in Kenya, particularly as Kenya links to India, China, and the Arabian Peninsula, are both indicative of the current structure of the global textiles and garment industry and ignored by research that focuses exclusively on the economic aspects of these ties. By the early 1980s, the textile industry was Kenya's leading manufacturing sector in terms of both employment and size, involving over 200,000 households and 30% of the manufacturing labor force (KAM, 2005). In the early 1990s, due to several factors including mismanagement, lack of investment, and, notably, the availability of secondhand clothing, the local textile industry in Kenya collapsed, (Omolo, 2006). Beginning in 2000, the garment manufacturing industry in Kenya began to grow rapidly due to AGOA. Until 2005, investment, job growth, and production surged in this export and import-oriented apparel sector. Since the completion of the MFA on

January 1, 2005, Kenya has been experiencing a volatile atmosphere of factory closures, urgent policy prescriptions, and renewed calls for reinvigorating domestic textile production and consumption. For Kenya, trade agreements have perceptibly altered the manufacturing landscape in terms of the production of textiles, garments, and the growth of a clothing export sector. Factories previously devoted to the domestic manufacture of African print cloth have either ceased to produce or are being re-opened as export apparel facilities (ACTIF, 2013).

Kenya has established and is currently increasing the number and scope of Export Processing Zones (GOK, 2003). A new development begun in 1990, EPZs are growing primarily by opportunities afforded through AGOA. While prior to the end of the MFA, factories located in the EPZs had spawned a USD \$163 million textile manufacturing industry and created over 30,000 jobs (The Nation, 2004; United Nations, 2005), this growth has not been without controversy. Labor conditions in these zones have been likened to “the sweatshops of South East Asia” (The Nation, 2004; Kenya Human Rights Commission, 2004), resulting in labor unrest and manufacturing shutdowns.

Statement the Problem

The global textile and clothing industry is estimated to be worth approximately US\$ 4,395 billion with global trade totaling US\$ 600 billion with the United States providing the largest market that continues to grow with estimates at 5% per year (Dan & Bradstreet, 2011). In 2002 alone, textiles and garment manufacturing accounted for \$400 billion in global exports, representing 6% of world trade and 8% of world trade in manufactured goods (Ashish, 2006), indicating an impressive performance in the industry which has contributed towards the increased number of SMEs in the sector. However, Ashish further mentions that the SMEs growth is limited by their poor performance owing to the challenges experienced.

Despite the recognition of the SMEs as the silent drivers of a nation's economy due to their ability to generate growth and employment for its people, there still are major gaps in their performance such as poor quality and limited production fueled by high power costs (GOK, 2013). In Kenya, SMEs are responsible for over 80% of employment and contributes over 40% to Gross Domestic Product (GDP) (Mwarari, 2013). However, as a result of globalization, especially in the textile industry, growth has stagnated at 6.0 percent, thus lagging behind in participation on the global market platform (GOK, 2013). This has directly affected the living standards due to the high unemployment and further predicts an increase in poverty levels currently at 45.2%, (GOK, 2014). The industry currently employs less than 20,000 workers from more than 200,000 at the peak of the industry growth (KAM, 2013). ACTIF warns that this trend will have ripple effects on Kenya's GDP to lower than 4.0 percent, if measures to improve the performance of the SMEs are not put in place in time. Efforts have been made by ACTIF and KAM to improve the performance of the SMEs in the textile industry by cutting down finished product importations and recommending an increased uptake of technological advancement and innovations (KAM, 2012), but the process is lagging behind. It's therefore import to investigate the underlying factor contributing further to the poor performance of the SMEs.

Objectives of the Study

1. To find whether continuous innovation affects performance of SMEs in the textile industry in Kenya.
2. To determine whether technological advancement influences performance of SMEs in the textile industry in Kenya.

3. To explore how acquisition of technical skill affects performance of SMEs in the textile industry in Kenya.
4. To whether trade policy review affects performance of SMEs in the textile industry in Kenya.

Theoretical Literature Review

Existing literature related to this topic revolves around the positive impact of the AGOA framework and the efforts of the government to improve the declining textile trade in the country, the continent in particular and the world at large as well as the determinants and effects of the trade flow in Kenya. This literature clears the air around the topic of study, not only in Kenya but in the continent as well, thus forming a base for the methodology and results of this study.

Joseph Schumpeter's Innovation Theory

The innovation theory by Joseph Schumpeter (1949) holds an entrepreneur as one having three major characteristics: innovation, foresight, and creativity. It explains that entrepreneurship takes place when the entrepreneur creates a new product, be innovative, discovers a new market for his product, find new sources for his raw materials and be technologically survey (Gibbon, 2000) The textile industry in Kenya has dropped below its normal performance due to lack innovation. This theory if applied well by the small and medium enterprises in this sector would improve their performance and put them at the global platform. For the SMEs in the textile industries in Kenya to improve their performance and be at a better position to participate in the global trade, they thus must be able to indicate these three characteristics as given by Schumpeter. However, despite Schumpeter's innovation theory placing emphasis on the importance of innovation, it ignores the entrepreneur's risk taking ability and organizational skills (KHRC, 2004). This poses a challenge to the small and medium enterprises which imitate the large

enterprises, but the government is keen to add limitations to imitating and adapting to innovation. This entails successful imitation by adapting a product to a niche in a better way than the original product innovators innovation (MLHRD, 2005)

Theory of Production

Globalization is marked by the quality of products moving from one trading partner to the other, (Mazzarol & Choo, 2003). Production theory therefore is characterized by the existence production function; this represents the technology of an industry or the economy as a whole. Production function includes technically efficient method of production. Further, Mazzarol and Choo (2003) argue that the final output is determined by multiplicity of factors: availability of good technical skills, innovativeness and the technology available to firm or industry, price and availability of raw materials, infrastructural facilities such as roads, water, transport and electricity. Lumpkin and Dess (2001) states that technical knowhow, capital and labor combinations are factors of production under the jurisdiction of the industry. However, certain aspects of governmental policies are as important and decisive in determining productivity and output as the desirable combination of technology and innovation are but lie outside the control of the firm. This is because governmental policies strongly influence the level of pattern of income distribution, which ultimately determine the effective demand of the consumers since effective demand of a firm's product is the primary motivation, for production, (Omolo, 2006).

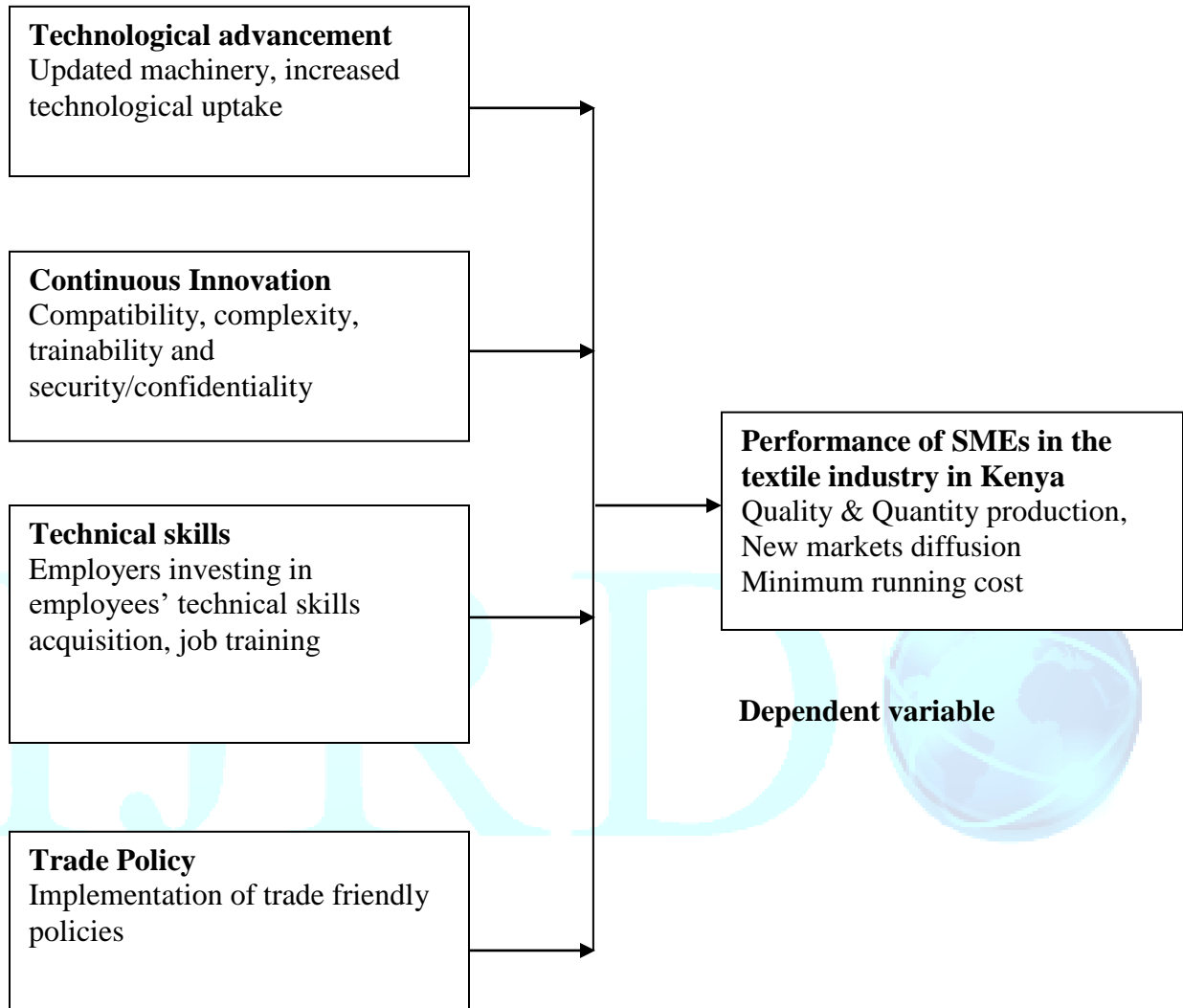
Conceptual Framework

Conceptual framework is a concise description of the phenomenon under study accompanied by a graphical or visual depiction of the major variables of the study (Mugenda & Mugenda, (2008). According to Young (2009), conceptual framework is a diagrammatical representation that shows the

relationship between dependent variable and independent variables. Further, Miles & Huberman, (1994) and Robson, (2011) defined the conceptual framework as the system of concepts, assumptions, expectations, beliefs, and theories that supports and informs your research. It is a key part of your design. Miles and Huberman (1994) defined a conceptual framework as a visual or written product, one that “explains, either graphically or in narrative form, the main things to be studied—the key factors, concepts, or variables—and the presumed relationships among them.

The following framework depicts the relationship between effects of globalization and performance of SMEs in the textile industry in Kenya. The independent variables of the study are innovation, technical skills, technological advancement and SMEs policy. The dependent variable will be the performance of SMEs in the textile industry in Kenya. The framework is based on the argument put forth by Arasa & Achuora (2012) study on antecedent to successful adoption of electronic procurement in textile industry in Kenya. Such has been adopted by Ochola (2013) in a study on e-commerce adoption among micro, small and medium sector in Nairobi County, Kenya which identified organizational, technological and environmental issues as factors affecting adoption of e-commerce among MSMEs.

Conceptual Framework



Independent variable

Figure 2.1: Conceptual Framework

Technological Advancement

Since the mid-1990s, there has been growing concern on the impact of technological advancement on the growth of small and micro enterprises (Wanjohi & Mugure, 2008). They further assert that even with changes in technology, many small business entrepreneurs appear to be unfamiliar or unaware of new technologies. The lack of knowledge, high cost and fear of change has led to low technology uptake (McCormick, Kimuyu, Kinyanjui, 2002).

The cost of electricity as well inhibits the anticipated technology uptake by SMEs, especially in the textile industry. Maingeri (2008) highlighted that funning a textile firm is difficult due to high energy. She elaborates that, for instance, electricity accounts for 24 percent of combing costs and 35 percent of dyeing costs. As stated in relation to the garments link, the high cost and low quality of electricity in Kenya is degrading competitiveness. A separate issue related to combing is the high cost of overhead. Financing costs account for nearly 50 percent of combing overhead costs. ACTIF and KAM (2013), have the same opinion on energy levels being too high as compared to their counter parts China and India. ACITIF (2013) recommends that controlling electricity costs should be a top priority, because it would benefit firms in many sectors. Aside from electricity cost, the quality of electricity service is also an issue. Outages force companies to maintain parallel power supplies, adding to cost. Frequent blackouts damage or jam equipment, further adding to cost. A separate issue in the garment value chain is the high reject rate that contributes to administration costs. This high rate suggests that improved labor productivity, management practices, and cotton quality should receive some focus. Technology uptake is thus hindered by the issues surrounding the energy supply and cost in Kenya.

Continuous Innovation

Innovation has for a long time been recognized as an important driver of economic growth (Romer, 2001, Grossman & Helpman 2004). Empirical research and surveys of business activities show that innovation leads to new products and services, better quality and lower price (Omolo, 2006). Economists that have consistently high levels of innovations also tend to have high levels of growth (Romer, 2001). Thus, innovation is creation of new ideas which will lead to changes in an enterprises' economic or social potential (Linnebuhr, 2004,)

According to Harvard Business Review, "Discipline of Innovation" (1998), Innovation thinking is a means of generating innovation to achieve two objectives that are implicit in any good business strategy: make best use of or improve what we have today or determine what we will need tomorrow and how we can best achieve it and avoid "Dinosaur syndrome" Innovation is the main driver of economic growth but the capacity to innovate is quite low in most African countries, both in the private and in the public sector. Thus the ability to adopt new technologies and adapt them to local conditions will be crucial first step to increase productivity, which is a precondition for growth and decent employment (Wolf, 2006). According to Omolo and Mangieri, (2006), the empirical analysis, surveys of business activities shows that the importance of secondary school enrolment, economic incentives, access to technology through imports, infrastructure and not least a functioning innovation system are likely to increase technological progress that results in labor productivity growth. They further mention that each country must develop an innovation strategy based on its specific reality and situation. The private sector should be involved in designing the innovation strategy (Adams & Armstrong, 2001). For most African countries, improvements in the educational system, the initiation of interactions between the private sector and

research institutions, the provision of risk capital for innovative firms and the improvement of infrastructure for quality controls should feature high on the agenda.

Technical skills acquisition

Worker-level data suggests that the Kenyan workforce is relatively well-educated, with high returns to education (Mwarari, 2013). The workforce in the formal manufacturing firms is experienced, middle aged and possesses a high level of education. Almost all workers have some schooling. There is a wide dispersion in earnings, driven largely by differences in education, experience, and industry (ACTIF, 2013).

Nevertheless, the level and quality of production and technical training in Kenya is low. However, Mangieri, (2006) argues that this may be in part because the current training incentive system does not encourage firms to invest in enhancing production skills. Firms appear to invest more heavily in managerial and professional training than in developing production skills (Mangieri, 2006). Training deficiencies can be traced, at least in part, to structural problems in the technical and vocational training system.

A report done by Kenya Association of Manufacturers, (2012) depicts the situation to be worsened by the fact the current training levy system is financially troubled and appears to be inadequate to firms' needs, as it does not support in-house training in production skills. The textile sector among other sectors requires employees who have acquired technical skills to a high level due to the amount of technology and innovation needed to boost their performance (Omolo, 2006). There is sufficient international evidence to indicate that incentives to firms to increase in-house training are vastly superior to public provision of training (Dan, 2002).

Trade Policy Review

In the Doing Business 2010 report, Kenya is ranked 95 globally, that is out of the 183 economies. The report further indicates that over the last six years the government has initiated a number of policies and efforts aimed at improving the legal and regulatory business environment and Investment climate; particularly targeting the ten (10) indicators of doing business, Starting a business; Dealing with Construction Permits; Employing workers; Registering Property; Getting Credit; Protecting investors; Paying taxes; Trading across Borders; Enforcing contracts; and Closing business. With specific regards to doing business indicators, the Government of Kenya has formed a Doing Business Reform Team that has been mandated to pay special attention to fast tracking specific reforms in six out of the ten indicators namely: Starting a business, Registering Property, Getting Credit, Dealing with Construction Permits, Paying taxes and Trading across Borders (GOK, 2013).

Performance improvements in these indicators are mainly as a result of the continued elimination and simplification of more licenses, administrative efficiency resulting in time savings, consolidation of procedures and the attendant reduction in administrative costs of compliance. In addition to the current implementation of business regulatory reforms, crosscutting and comprehensive business licensing reforms initiated in 2005 set the pace for the country's top performance in Doing Business indicators, (GOK, 2007). The Business Regulatory Reform Unit (BRRU) for instance is continually engaging regulators on the possible administrative and legal mechanisms to simplify and eliminate the deferred licenses as the government undertakes to consolidate multiple licenses, in an effort to make the licensing regime efficient and appealing to investors.

The textile and garments sector is an important component of the trade and industry sector of the economy. It is, therefore, one of the key sectors targeted for employment creation and poverty reduction

in the country. The Kenyan government has outlined a number of policies aimed at promoting growth and development within the sector. These policies are contained in various policy documents, mainly the Economic Recovery for Wealth and Employment Creation (2003-2007) and the accompanying Investment Programme for the Economic Recovery Strategy (GOK, 2003).

To increase trade and investment within the sector, the government has proposed to review trade licensing agreements, to provide market information to Kenyan manufacturers, to support the private sector in identifying new markets, to improve the quality of Kenyan goods and to reduce non-commercial risks. Other measures proposed include promoting trade fairs and putting in place mechanisms for continued exploitation of benefits accruing from AGOA trade opportunities. The government has also pledged to improve the business climate by developing a new regulatory framework for finance and infrastructure, strengthening the rule of law, improving security and reducing the number of regulations and steps required for investing in the country (Kimani, 2002).

Research gaps

Studies that have been reviewed have not adequately indicated extensively the role played by globalization in improving the performance of the Small and Medium enterprises in the textile industry in Kenya. Most of these previous studies are limited to local and international policies implementation within the sector. They have not indicated the importance of acquisition of technical skills and innovation as a key factor to be considered by the small and medium enterprises in the sector to boost their performance and enable them to participate in the international trade platform. The study conducted by ACTIF (2013), failed to highlight the effects of globalization on performance of textile industry in Kenya but focused extensively on international policies and their effects on the Small and Medium Enterprises. Further, Kenya Association of Manufacturers (KAM) conducted a survey on growth and management of

SMEs broadly but did not extensively discuss the effects on globalization. Globalization has adversely affected the textile industry in Kenya and contributed to poor performance as indicated by Omolo, (2006). There is therefore great need to investigate further to get a solution.

METHODOLOGY

This study used exploratory and descriptive research designs. According to Mugenda & Mugenda (2003), a case study is an in depth investigation of an individual, groups, institutions or phenomenon. Case studies, in their true essence, explore and investigate contemporary real life phenomenon through detailed contextual analysis of a limited number of events or conditions, and their relationships (Zinal, 2007). The target population for this study was the 350 employees of the preselected textile SME, Ricardo EPZ International.

This study used a stratified random sampling to select 105 respondents from the target population. The respondents were selected through reference from their supervising managers. The study worked with a sample size of 30%, which is 105, based on the total number of people in the organization that is 350 as recommended by (Mugenda & Mugenda, 2003).

The study used semi structured questions based of a five-point likert scale to collect primary data. Kombo & Tromp (2006) notes that semi-structured questions have the advantage of being flexible because they contains both open and closed ended questions.

The research instrument was pre-tested before final administration of questionnaires to the respondents. This involved administering questionnaires to four respondents purposively selected from the population. This represented 10% of the sample size which was considered adequate for a pilot study (Mugenda & Mugenda, 2008).

Data Analysis and Presentation

Data analysis refers to examining what has been collected and making deductions and inferences. It involves uncovering the underlying structures, extracting important variables, detecting any anomalies and testing any underlying assumptions (Kombo & Tromp, 2006) because a semi-structured questionnaire that contained both closed-ended questions and an open-ended question was used for data collection, mixed method of data analysis was adopted.

According to Crosswell, Hansey, (2005) a mixed method approach is one which researcher collects, analysis, and integrates both quantitative and qualitative data in a single study. The quantitative data collection was analyzed using descriptive statistics by the help of SPSS and presented through percentages, frequencies, means and standard deviations.

This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives and assumptions through use of SPSS. Data was the presented in tables, figures and charts. In addition, multiple regressions was used to establish the relationship between the dependent and the independent variables

The multivariate regression model was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y = improved performance of SMEs in textile industry in Kenya β_0 = Constant Term; β_1 , β_2 , β_3 and β_4 = Beta coefficients; X_1 = Technological advancement; X_2 = Continuous Innovation; X_3 =Acquisition of technical skills; X_4 = Trade Policy review; ε = Error term

RESEARCH FINDINGS AND DISCUSSIONS

The study targeted a sample size of 105 respondents from which 90 filled in and returned the questionnaires making a response rate of 85.71%. This response rate was satisfactory to make

conclusions for the study. This is in accordance to Mugenda and Mugenda (2003) who states that a 50% response rate is adequate, 60% good and above 70% rated very good. This also collaborates Bailey (2000) assertion that a response rate of 50% is adequate, while a response rate greater than 70% is very good. This implies that based on this assertion; the response rate in this case of 85.71% was very good. This high response rate can be attributed to the data collection procedures, where the researcher pre-notified the potential participants and applied the drop and pick method where the questionnaires were picked at a later date to allow the respondents ample time to fill the questionnaires.

Correlation Statistics

The Pearson product-moment correlation coefficient (or Pearson correlation coefficient for short) is a measure of the strength of a linear association between two variables and is denoted by r . Pearson correlation was used to measure the degree of association between variables under consideration that is independent variables and the dependent variables. Pearson correlation coefficients range from -1 to +1. Negative values indicates negative correlation and positive values indicates positive correlation where Pearson coefficient <0.3 indicates weak correlation, Pearson coefficient $>0.3<0.5$ indicates moderate correlation and Pearson coefficient >0.5 indicates strong correlation. The Pearson moment correlation coefficient was used to establish the correlations between the independent variables that were used in the model.

Table 1: Correlation Coefficient

	Technical advancement	Continuous innovation	Acquisition of technical skills	Trade policy review
Technological advancement	1			
Continuous innovation	0.8345	1		
Acquisition of technical skills	0.8507	0.8679	1	
Trade policy review	0.7612	0.8163	0.7568	1

The findings show that all the predictor variables were shown to have a positive association between them at a significant level of 0.05 and hence included in the analysis. There was strong positive relationship between Continuous innovation and Acquisition of technical skills (correlation coefficient 0.8679), Technical advancement and Acquisition of technical skills (correlation coefficient 0.8507), Technical advancement and Continuous innovation (correlation coefficient 0.8345), Technical advancement and Trade policy review (correlation coefficient 0.7612)

Regression Analysis

The following are the results of regression analysis.

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Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.403 ^a	.142	-.061	.42127

- a. *Predictors:* (Constant), technical advancement, continuous innovation, Acquisition of technical skills and trade policy review
- b. *Dependent Variable:* Improved performance of SME’s in the textile industry

Analysis in table above shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R square equals 0.142, that is, technical advancement, continuous innovation, Acquisition of technical skills and trade policy review explain the variance in Improved performance of SME’s in the textile industry

The Analysis of Variance (ANOVA) was used to check how well the model fits the data. The results are presented in table 3.

Table 3: ANOVA (Analysis of Variance)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.045	3	.123	.678	.000 ^a

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Residual	5.102	28	.177
Total	5.628	93	

- a. *Predictors:* (Constant), technical advancement, continuous innovation, Acquisition of technical skills and trade policy review
- b. *Dependent Variable:* Improved performance of SME’s in the textile industry

The F statistic is the regression mean square (MSR) divided by the residual mean square (MSE). Since the significance value of the F statistic is small (0.000 smaller than say 0.05) then the predictors variables technical advancement, continuous innovation, Acquisition of technical skills and trade policy review explain the variation in the dependent variable which is Improved performance of SME’s in the textile industry. Consequently, we accept the Hypothesis that all the population values for the regression coefficients are not 0. Contrary, if the significance value of F was larger than 0.05 then the independent variables would not explain the variation in the dependent variable, and the null hypothesis that all the population values for the regression coefficients are 0 should have been accepted.

The regression output of most interest is the following table of coefficients and associated output:
Associated output:

Table 4: Regression Coefficients results

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.903	0.123		7.367	0.000

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Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.903	0.123		7.367	0.000
Technological advancement	0.056	0.028	0.158	2.021	0.045
Continuous innovation	0.036	0.030	0.105	1.194	0.234
Acquisition of technical skills	0.047	0.028	0.147	1.686	0.093

a. Dependent Variable: Improved performance of SME’s in the textile industry

From the Regression results in table below, the multiple linear regression model finally appear as

$$Y = 0.903 + 0.056 X_1 + 0.036 X_2 + 0.039 X_3 + 0.047 X_4 + 0.123$$

Y is the dependent variable (Improved performance of SME’s in the textile industry); X₁ is Technological advancement; X₂ is Continuous innovation; X₃ is Acquisition of technical skills and X₄ is trade policy review

The multiple linear regression models indicate that all the independent variables have positive coefficient. The regression results above reveal that there is a positive relationship between dependent variable (Improved performance of SME’s in the textile industry) and independent variables (technical advancement, continuous innovation, Acquisition of technical skills and trade policy review). From the findings, one unit change in Technological advancement results in 0.056 units increase in improved performance of SME’s in the textile industry. One unit change in Continuous innovation results in 0.036

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unit increase in improved performance of SME's in the textile industry. One unit change in Acquisition of technical skills results in 0.036 unit increases in improved performance of SME's in the textile industry. One unit change in trade policy review results 0.047 unit increases in improved performance of SME's in the textile industry.

The t statistics helps in determining the relative importance of each variable in the model. As a guide regarding useful predictors, we look for t values well below -0.5 or above +0.5. In this case, the most important variable was Technological advancement followed by trade policy review, Acquisition of technical skills, and lastly continuous innovation respectively.

SUMMARY OF FINDINGS

From the findings, it was noted that most respondents were between the ages of 35-44 years old. This age bracket was noted to have the highest frequency of 39 respondents which was calculated to about 43.33% of the total respondents. This was closely followed by respondents who stated that they were aged between 25 and 34 years old. Respondents who stated this were noted to be approximately 24.44% of all the respondents. From the findings, it can be inferred that the respondents were old enough to provide reliable insights relevant to the study. From the responses in the questionnaires it was noted that majority of the respondents(40%) had an masters degree. The study, from this findings could generally inferred that most respondents were well educated and knowledgeable, this thus indicates that the organization has a large pool of knowledge to aid in growth of the SMEs and contribute greatly to its performance. Further, this is critical for the meaningful participation of the SME in the regional and global trade.

From the study it was noted that majority of the respondents (61.11%) of the respondents had a work experience of 2-6 years. The findings indicated therefore that majority of the respondents had a long working experience with the textile industry. This implied that the respondents hold a long history of the

organization and would be able to incorporate new ideas well. The study sought to determine the level at which the respondents agreed or disagree with the some statements relating to effects of Technological Advancement on improved performance of the textile industry. From the findings a majority of the respondents agreed that technological advancement variables affect the improved performance in the Ricardo International textile industry as shown by the high mean values calculated in the SPSS analysis.

For instance, the statement; technological advancement aids in improving the performance of the organization was noted mean of 4.26. Generally, the mean calculated in the analysis indicated that most respondents generally agreed or strongly agreed on the effect of the selected statement to the independent variable which was performance of SME's in the textile industry. The standard deviation calculated in the analysis was noted to range between 0.20 and 0.30. This findings implied that the employing the right equipment and machinery will not only make work easier and faster, but will also provide for quality production, an aspect that will enable the SMEs to compete effectively at the regional and global level in trade.

The study also sought to determine the level at which the respondents agreed or disagreed with the above statements relating to the continuous innovation effect on improved performance of SME's in the textile industry. From the findings, majority of the respondents agreed that, Organizations with continuous innovations are able to produce quantity quality products at any given point as shown by a mean of 4.50; Innovation is vital for improved performance in your organization as shown by mean 4.03; continuous innovations have improved performance in your organization as shown by mean of 3.90. These findings indicated that continuous innovation is necessary for the growth of the SMEs in the textile industry.

The findings indicate that majority of the respondents agreed that Technical skills brings about creativity and quality production in an organization as shown by a mean score of 4.13 and a variability in

agreement by a SD of 0.21 indicating uniformity in support of their response. The statement; Acquisition of technical skills by employees boosts technological uptake and use hence improved performance of the organization was noted to have a mean of 4.03 and a standard deviation of 0.28 which indicated uniformity in the responses from the respondents. This finding brings to light the need to equip the SMEs with technical skills and encourage frequent training of employees to help promote their performance.

The statement: that Review of the trade policies would encourage better performance of your organization as shown by a mean of 4.06 and SD of 0.21 which indicated that all the respondents were of a similar opinion. All the respondents showed that there was need to review some of the trade policies present in the country to accommodate growth of the small and medium enterprises and implementation of the existing policies as well.

Correlation analysis was used to measure the strength of the relationship between the independent variables i.e. the relationship between technical advancement, continuous innovation, Acquisition of technical skills and trade policy review. Regression analysis established the relative significance of each of the variables on improved performance of SME's in the textile industry. There was strong positive relationship between Continuous innovation and Acquisition of technical skills (correlation coefficient 0.8679), Technical advancement and Acquisition of technical skills (correlation coefficient 0.8507), Technical advancement and Continuous innovation (correlation coefficient 0.8345), Technical advancement and Trade policy review (correlation coefficient 0.7612). The t statistics helped in determining the relative importance of each variable in the model. In this case, the most important variable was Technological advancement followed by trade policy review, Acquisition of technical skills, and lastly continuous innovation respectively.

Conclusion

The paper provided an understanding of the challenges faced by globalization on the performance of small and medium enterprises in the textile industry in Kenya. The results shed light on the state of performance of SMEs practice and use of local organizations in the area, and show currently adopted technologies and the barriers that prevent their optimization. The findings of Hyvarinen (2001) showed that there is a need for support for the SMEs to be able to better benefit in Performance. Creation of more widespread awareness about globalization, better provision of the requisite technologies, as well as adequate training and skills upgrading and updating are some of the support that would help organization plan strategy. The results clearly indicated also the necessity to provide support to organization if they were to successfully manage globalization. Accordingly, support to overcome or alleviate the identified barriers of globalization needed to be recognized. However, most of the organizations were noted not to be confident with globalization on the performance of small and medium enterprises in the textile industry in Kenya

Recommendations

The study recommends that globalization should be well articulated and there should be increased support for training, embrace technology, implement trade policy and adopt innovation in organization to influence performance. It is also recommended that investors should be part of the globalization team for this will enhance SMEs performance. The study therefore recommends that in order to ensure that the organization remain sustainable, they should embrace technological advancement, innovation, technical skills and trade policy (Kenya Human Rights Commission, 2004).

The study also recommends that globalization should be observed well and proper training should be encouraged to improve the current used methods. The study also recommended that modern technology

should be used which is more efficient and effective to organization and it enhance rapid growth and performance (Liu, Tsou, & Hammitt, 2006).

Suggestion for Further Studies

A further study should be done on effects of globalization on the performance of small and medium enterprises in the textile industry in Kenya. Study need to be carried out or conducted that would investigate interaction of other variables that influence globalization of SMEs e.g. management support, load work, working environment, management style (Mc Adams, & Armstrong, 2001).

A replication of these study should be carried out but these time using a larger sample, more time should be allocated to the same and a combination of more than one of advance data collecting instrument should be used, data should be collected from various different regions and interview and questionnaires these will help to counter check the information provided. A further study needs to be conducted using more variables that seem to be more relevant to this study on effects of globalization on the performance of small and medium enterprises in the textile industry in Kenya (Republic of Kenya, 2014).

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