

Strategic Alliance and Performance of Textile Industry: Empirical Evidence from Kano, Nigeria

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Abstract: - Even though the strategic management literature acknowledges the influence of strategic management practices on the organisational performance, the review of literature reveals that theoretical and empirical contributions of strategic alliance to the textile industry remained limited, particularly in Nigeria context. Given the limited research as well as information in this field of study, this study attempts to examine textile industry in Nigeria from the strategic alliance perspectives. More specifically, this study investigates the influence of strategic alliance on financial and nonfinancial performance of textile industry in Nigeria. The study was based on a sample survey consisting of 328 respondents at strategic management position from textile industry in Kano, Nigeria. The data for the study was collected by using structural questionnaire. Based on the analyses of the data using Statistical Package for Social Science (SPSS) and Partial Least Squares Structural Equation Modeling (PLS-SEM), the results of the study indicates significant positive relationships between strategic alliance and the financial and non-financial performance of textile industry. The result shows that the strategic alliance is not only influence the financial performance of textile industry but also non-financial performance as well. The implication is that, managers that focus on the practice of strategic alliance in their textile industry will not only able to increase their financial performance but non-financial performance as well.

Keywords: Textile Industry, Strategic Alliance, Performance, Kano-Nigeria.

I. INTRODUCTION

The interest and adoption of strategic management practices among organisation has witnessed growth over the years. Since it was first introduced, the concept of strategic alliance has gain acceptance not only as an important component of strategic management process, but also as good business practice among business organisations. The emphasis on strategic alliance resulted from evidence that suggests its adoption can help failing organisations to not only revive but sustain their success as well.

Today, organisations are increasingly becoming aware in allying their business strategy opting for strategic alliances for strengthen their market positions and improve on their organisational performance. Strategic alliance is an agreement between two or more organizations to cooperate in a specific business activity, so that each benefits from the strengths of the other, and gains competitive advantage. The

formation of strategic alliances has been seen as a response to globalization and increasing uncertainty and complexity in the business environment. Strategic alliances involve the sharing of knowledge and expertise between partners as well as the reduction of risk and costs in areas such as relationships with suppliers and the development of new products and technologies (Hashim, 2015; Ibrahim & Primiana, 2015; Jayashankar, 2012).

Despite the importance of strategic alliance practices to the manufacturing industrial practices such as textile industry, these practices have not attracted much research and interest. In particular, research on strategic alliance practices in textile industry from the Nigerian perspective has been neglected. The review of the past studies indicates previous research primarily concentrated on examining strategic alliance practices in financial industry (Jayashankar, 2012; Jensen, 2002; Yuliansyah, Gurd, & Mohamed, 2017).

Based on this information and research gaps, the objective of this paper is to investigate the influence of strategic alliance on the performance of textile industry in Nigeria. The paper is presented in five sections. The following Section Two is literature review. Next, Section Three is research methodology, Section Four present the results of the analyses, Finally, Section Five presents discussion conclusion of the paper.

II. LITERATURE REVIEW

Business strategy plays a vital role in determining the long term success of organizations. Over the years, business strategy as an area research has continued to be emphasized in the literature. The focus on business strategy resulted from the realization that every organization needs an effective business strategy to achieve its organizational objectives and also to deal with the changes occurring in the business environment as well as to compete successfully in the market place.

Organizations formulate and implement their business strategy through the strategic management process. With regard to the strategic management process, organizations need to develop and implement effective business strategy based on their capabilities and competitive advantage.

Despite the importance of strategic management to organizations and the increase knowledge in this area of management, there is still one segment of the business community that has been neglected. Surprisingly, little research exists that investigate strategic alliance in textile industry. In particular, research on strategic alliance in textile industry from the Nigeria perspective has been ignored. As a whole, the review of the past studies indicates previous research mainly focused on examining business strategy in firms that operated in selected institutions such as banking and retailing businesses.

Of the research conducted on business strategy, many studies have focused on examining the linkage between business strategy and organizational performance. Organizations achieve their objectives by creating and executing effective business strategies. The earlier study by Giglierano (1987) found that organizations accomplished superior performance by developing and implementing effective business strategy that aligned with their business environment as well as based on their competitive advantage.

Over the decades, various definitions of business strategy have been proposed and documented in the strategic management literature. However in general, business strategy has been considered as the way in which a firm achieves its organizational objectives through maintaining its competitive advantage as well as competitive position in a particular industry (Hashim, 2008; Ibrahim & Primiana, 2015; Kamukama et al., 2011; Nkundabanyanga et al., 2017).

Furthermore, the literature reveals that different types of strategies are developed at different levels in organizations. The types of strategy are classified according to the levels they are developed in organizations. In general, three different types of strategy are developed at three different levels. The three strategies include; corporate strategy, business strategy and functional strategy.

With regard to the three types of strategy, the review of past research suggests that previous studies that examined the relationship between strategy and organizational performance have mainly focused on business strategy (J. Lee, 1988). Moreover, findings of previous empirical research on the relationship between business strategy and performance of firms provided strong evidence that suggest business strategy are associated to the performance of these firms (Ansoff, 1984; Hofer & Schendel, 1978; Lee & Mowday, 1987; Linton & Kask, 2017; Oyewobi et al., 2016; Soltanizadeh et al., 2016; Yuliansyah et al., 2017).

Findings of prior research also revealed that previous studies on business strategy have largely concentrated on certain type of large firms. However, more recent evidence from the literature suggests that business strategies are also relevant and applicable to other types of organizations as well. More importantly, more recent studies indicate that different organizations operating in different business environment should adopt different types of business strategy (Homaid,

Zain, Al-matari, Minai, & Ahmad, 2017; Leinwand, Mainardi, & Kleiner, 2016; Reeves, Haanaes, & Sinha, 2015; Rumelt, 2013; Soltanizadeh et al., 2016).

In one of Porter (1980) earlier works, the scholar emphasized on the need for firms to develop their competitive advantage in order to develop effective business strategy. For instance, in the case of manufacturing firms, they can obtain their competitive advantage by efficiently developing and executing the primary as well as the supporting activities of their value chain. The primary activities include; human resource management, technology development and procurement. The supporting activities involve; inbound logistics, operations, outbound logistics, marketing and sales and services.

In addition, according to Porter (1980), firms are able to create three types of generic business strategy from the competitive advantage that they gained from improving their companies' value chain. The three strategies include; low cost, differentiation and focus (niche). Through economics of scales, scope and technology, the low cost strategy reduces costs and increase profit. The differentiation strategy focuses on developing products that are different and unique. The niche strategy specializes on product development and marketing efforts tailored to a particular market segment that has cost or differentiation advantage.

In another study, Hashim (2000) attempted to investigate the business strategy adopted by small and medium-sized enterprises (SMEs) operating in different industries in Malaysia. The study adopted six business strategies and collected data from 100 SMEs operating in more than 19 industries. According to the results of the study, 30 SMEs used differential strategy, 26 firms implemented the low cost strategy, and 18 firms employed the focus strategy. Of the remaining 36 small firms, 17 firms utilized the growth strategy, six firms followed the harvest strategy and only three firms executed the vertical integration strategy.

More recently, the studies by Hashim and Ahmad(2009), Hashim and Zakaria, (2010) and Hashim (2015), provided empirical evidence that suggests that different firms in different business environment adopt different types of business strategy but also that business strategy is related to organizational performance. For instance, findings of the study by Hashim and Ahmad (2009) indicated that business strategy of exporting firms is positively related to the performance of these firms. In addition, the study by Hashim and Zakaria (2010) also found the relationship between business strategy and performance of small and medium manufacturing firms. Furthermore, according to Hashim (2015), takaful firms specifically adopted four types of business strategy that include; product focus differentiation strategy, location differentiation strategy, cost focus strategy and marketing differentiation strategy. As for the relationship between business strategy and performance, the findings of

the study also showed positive relationship between business strategy and the performance of the takaful firms.

As presented above, the evidence from the literature and past studies suggest that different firms that operate in different business environment implement specific type of business strategy that align with their business requirements. In addition, findings of previous indicate the existence of the relationship between strategy and organizational performance.

III. RESEARCH METHODOLOGY

The study was based on a sample survey consisting of 347 respondents from textile industry in Kano, Nigeria. Kano was choosing because it has the highest textile manufacturing companies in the Northern Nigeria and it is the second in the Nigeria (Gado, 2013).

The data for this study was collected through structural questionnaires. The structured questionnaires were management cadre of the textile industry in Kano Nigeria as the respondents. However, of the 550 questionnaire sent, only 347 completed and returned the questionnaires. The questionnaire was by using a five numerical scale ranging from “Strongly disagreed” (1) to “Strongly Agreed” (5).

This study used the Least Squares Structural Modeling (PLS-SEM) to analyze the data collected as well as to test the hypotheses of the study. The first part of the data analysis involved descriptive statistics. This involves determining the percentages, means, modes, standard deviations, minimum and maximum value of the items used in collecting the data for the study. In the second part, the partial least squares (PLS) regression modeling was used for testing the research hypotheses. The PLS analyses used in this study involves the assessment of measurement as well as the structural models. The following section briefly describes the statistical procedures used in this study.

In the PLS regression analysis, assessment of measurement model was required for testing hypotheses. The assessment of measurement model in this study involves examining the individual item reliability, ascertaining internal consistency reliability, ascertaining convergent validity as well as discriminant validity. More specifically, this method was employed for testing the reliability and validity of the items and the focal variables used in this study.

In assessment model, the results achieved the loading of all items to be greater than 0.70 and the composite reliability value (CRV) of all constructs are greater than 0.70. The Average Variance Extracted (AVE) values of all constructs are also greater than 0.50. The Composite Reliability (CR) values greater than 0.7. Taken together, these results statistically fulfilled the convergent validity criteria recommended by Hair et al. (2011). In addition, The Cronbach's Alpha scores of all the items are higher than 0.70 these results also suggest the reliability of the measures used in the study. Having ascertained the measurement model, the

study also assesses the structural model which applied 5000 bootstrap samples and 121 cases as required by the standard bootstrapping technique (Hair, Hult, Ringle and Sarstedt, 2014).

IV. THE RESULTS

Descriptive of the Respondents

Table 1 illustrates 229 respondents (69.8%) are male and 99 (30.2%) are female. 13 respondents (4%) are of aged between 21-30 years, 167 respondent (50.9%) are of the aged between 31-40 years, and 103 respondents (31.4%) are between 41-50 years old.

In term of educational qualification, 2 respondents (0.6%) are have Secondary certificate, 123 respondents (37.5%) are NCE/HND holders, 200 respondents (61%) are having Degree/HND while others 3 respondents (0.9%) are master's degree holders. Of the 328 participants, 33 respondents were chief Executive/Managers, 291 respondents were senior managers.

Table 1 Demographic Profile of Respondents

| Demographic Profile | | Frequency | % |
|---------------------------|-------------------------|-----------|------|
| Sex | Male | 229 | 69.8 |
| | Female | 99 | 30.2 |
| | 21-30 | 13 | 4.00 |
| | 31-40 | 167 | 50.9 |
| Age | 41-50 | 103 | 31.4 |
| | 51 and Above | 45 | 13.7 |
| | Secondary School | 2 | 0.6 |
| | NCE/OND | 123 | 37.5 |
| Educational Qualification | Degree/HND | 200 | 61.0 |
| | Masters & Above | 3 | 0.90 |
| | Chief Executive/Manager | 33 | 10.1 |
| | Senior Managers | 295 | 89.9 |
| Employee Status | | | |
| Years of Work Experience | 1-5 years | 51 | 15.5 |
| | 6-10 years | 182 | 55.5 |
| | Above 10 years | 95 | 29.0 |
| | | | |

Reliability and Validity of the Research Variables

For the PLS data analyses to be carry out it is necessary to ascertain the measurement model. Table below shows the Average Variance Extracted (AVE) values of all constructs are greater than 0.50, the Composite Reliability should be more then 0.7, Cronbachs Alpha should be more than 0.7. in addition, the factor loading of all individual items are greater than 0.4. Taken together, these results statistically fulfilled the measurement model requirement criteria recommended by

Hair et al. (2011). Table 2 shows the result of AVE, Composite Reliability, R square and CronbachsAlph.

Table 2 Composite Reliability, R square and CronbachsAlph.

| | AVE | CR | R ² | Cronbachs Alpha |
|----|------|--------|----------------|-----------------|
| FP | 0.50 | 0.8691 | 0.048 | 0.8556 |
| NP | 0.74 | 0.9188 | 0.469 | 0.8783 |
| SA | 0.57 | 0.9359 | 0.000 | 0.9299 |

Hypotheses Testing

Table 3 below presents the regression results between the strategic alliance and the performance of the textile industries that participated in the study. The results indicate that there were positive significant relationship between strategic alliance and financial performance and non-financial performance as ($\beta = 0.218$, $t = 10.4$, $p < 0.000$) and ($\beta = 0.685$, $t = 67.2$, $p < 0.000$) respectively.

Table 3 Regression Analyses between Strategic Alliance and Performance

| H | Beta | T-Statistics | P-Value | Decision |
|--------------|-------|--------------|---------|-----------|
| H1: SA -> FP | 0.218 | 10.4*** | 0.00 | Supported |
| H2: SA -> NP | 0.685 | 67.2*** | 0.00 | Supported |

Note: *** $P < 0.01$, ** $P < 0.05$, * $P < 0.1$

The result of the regression Analyses between Strategic Alliance and financial and non-financial performance appears to provide some support for the hypotheses that the greater the practices of the strategic alliance the high will be the financial and non-financial performance.

V. DISCUSSION AND CONCLUSIONS

This study attempted to examine the influence of strategic alliance on financial and non-financial performance of Textile Industry. At general level, the result of the regression analyses as presented indicates significant positive relationship between Strategic Alliance and financial and non-financial performance of the textile industry. The result of this study provides some empirical evidence that suggest positive relationships exists between Strategic Alliance and financial and non-financial performance of textile industry.

The results of this study support findings of early studies by Porter (1980), Lee (1988), Gulati (1998), and more recent studies by Yuliansyah, Gurd, and Mohamed (2017), Zakaria, Hashim and Ahmad (2016), and Auka and Langat (2016) that acknowledge influence of strategic management process on the organisational performance. Additionally, the findings of the study further appear to correspond with the general view presented in the literature that suggests the connection between strategic management practices and organisational performance (Mahour Mellat-Parasta, Davood Golmohammadib, Kathleen L. McFaddenc, 2015; Soltanizadeh, Rasid, Golshan, & Ismail, 2016). The result of the study seems to demonstrate that the practice of strategic Alliance in textile industry will not only be able to improve

their financial performance but also to increase its non-financial performance as well.

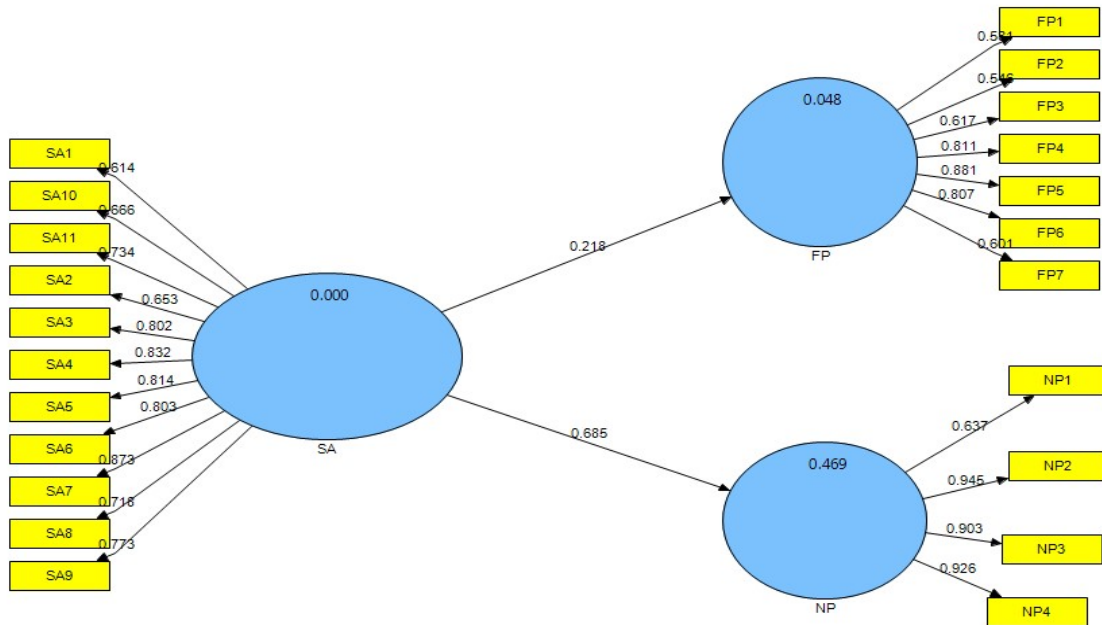
This study offers implications for owners and top managers of textile industry. The study is able to demonstrate that the strategic alliance practice improves the performance of textile industry. More specifically, the strategic alliance practices are; *forming alliance with other firms in the industry, forming alliance to contribute different resources to achieve mutual goals beyond individual, forming alliance with the Multinational Companies (MNC), acquiring and sharing resources, especially knowledge with MNC, showing and demonstrating general interest in the alliance formation, forming alliance with partners to reduced operational cost and challenges, alliance with partners for profit level increased, alliance with partners for sale volume increased, alliance with partners for operational cost reduction, alliance with partners for efficiencies increased.* These practices are relevant and applicable to the textile industry in Nigeria. Managers of textile industry that focus on these strategic alliance practices in their textile industry will not only able to increase their financial performance but non-financial performance as well.

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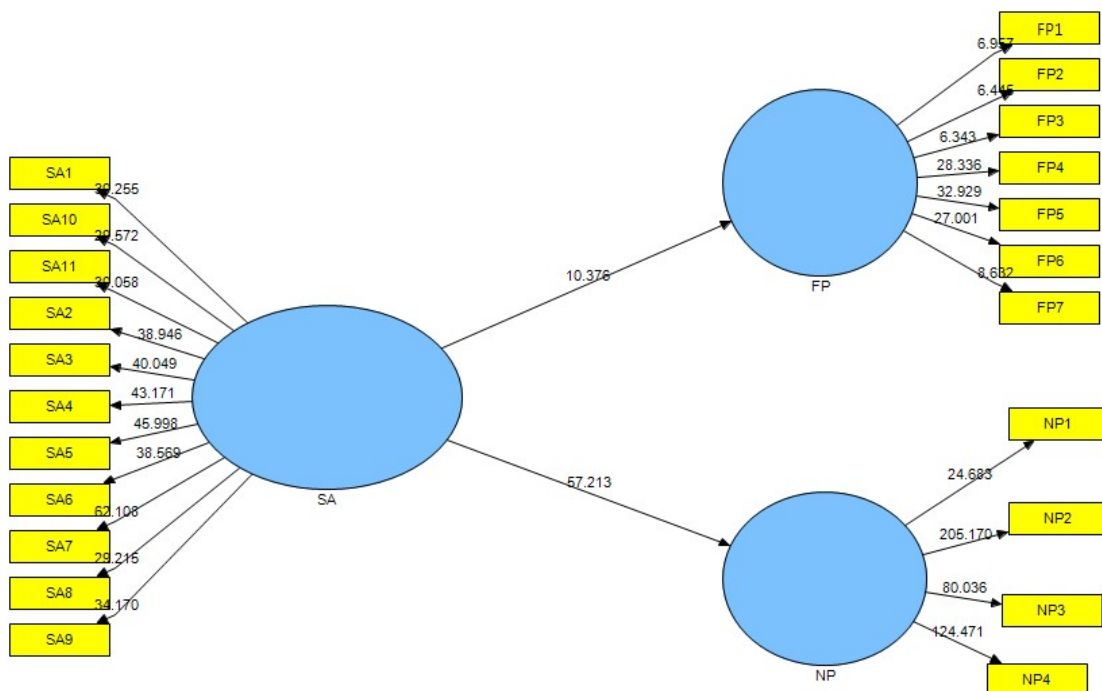
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APPENDIX A: MEASUREMENT MODEL



APPENDIX B: STRUCTURAL MODEL



APPENDIX C: CROSS LOADINGS OF ITEMS*Cross Loadings of Items*

| | FP | NP | SA |
|------|---------------|---------------|---------------|
| FP1 | 0.5810 | 0.2317 | 0.1189 |
| FP2 | 0.5462 | 0.1909 | 0.0515 |
| FP3 | 0.6170 | 0.1267 | -0.0358 |
| FP4 | 0.8109 | 0.1854 | 0.1000 |
| FP5 | 0.8814 | 0.2611 | 0.2502 |
| FP6 | 0.8073 | 0.1666 | 0.1291 |
| FP7 | 0.6011 | 0.2257 | 0.1098 |
| NP1 | 0.2925 | 0.6369 | 0.4013 |
| NP2 | 0.2865 | 0.9449 | 0.6805 |
| NP3 | 0.2053 | 0.9031 | 0.6419 |
| NP4 | 0.2699 | 0.9260 | 0.5947 |
| SA1 | 0.2226 | 0.6908 | 0.7136 |
| SA10 | 0.1992 | 0.3091 | 0.6665 |
| SA11 | 0.0901 | 0.3861 | 0.7338 |
| SA2 | 0.1744 | 0.6203 | 0.8532 |
| SA3 | 0.1638 | 0.3399 | 0.8019 |
| SA4 | 0.1676 | 0.3707 | 0.8316 |
| SA5 | 0.1023 | 0.3736 | 0.8140 |
| SA6 | 0.1732 | 0.3579 | 0.8030 |
| SA7 | 0.1352 | 0.4191 | 0.8731 |
| SA8 | 0.0825 | 0.2777 | 0.7181 |
| SA9 | 0.1556 | 0.3382 | 0.7727 |

APPENDIX D: OUTER LOADINGS

| Outer Loadings | | | |
|----------------|--------|--------|--------|
| FP | NP | SA | |
| FP1 | 0.5810 | 0.0000 | 0.0000 |
| FP2 | 0.5462 | 0.0000 | 0.0000 |
| FP3 | 0.6170 | 0.0000 | 0.0000 |
| FP4 | 0.8109 | 0.0000 | 0.0000 |
| FP5 | 0.8814 | 0.0000 | 0.0000 |
| FP6 | 0.8073 | 0.0000 | 0.0000 |
| FP7 | 0.6011 | 0.0000 | 0.0000 |
| NP1 | 0.0000 | 0.6369 | 0.0000 |
| NP2 | 0.0000 | 0.9449 | 0.0000 |
| NP3 | 0.0000 | 0.9031 | 0.0000 |
| NP4 | 0.0000 | 0.9260 | 0.0000 |
| SA1 | 0.0000 | 0.0000 | 0.6136 |
| SA10 | 0.0000 | 0.0000 | 0.6665 |
| SA11 | 0.0000 | 0.0000 | 0.7338 |
| SA2 | 0.0000 | 0.0000 | 0.6532 |
| SA3 | 0.0000 | 0.0000 | 0.8019 |
| SA4 | 0.0000 | 0.0000 | 0.8316 |
| SA5 | 0.0000 | 0.0000 | 0.8140 |
| SA6 | 0.0000 | 0.0000 | 0.8030 |
| SA7 | 0.0000 | 0.0000 | 0.8731 |
| SA8 | 0.0000 | 0.0000 | 0.7181 |
| SA9 | 0.0000 | 0.0000 | 0.7727 |