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GLOBAL COMPETITION AND CORPORATE RESPONSIBILITY: A PRACTICE IN NIGERIAN TEXTILES SUB-SECTOR

By

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Abstract

Developing world has been dragged into global free market system with very little opportunity to prepare. Regardless of different stages of industrialization and development all countries are expected to be guided by common rules of international trade. Besides, rich nations provide assistance and support to their industries while discouraging less developed ones from doing the same. On this bedrock, this paper presents the results of an interview pertaining to global competition with the management of textile companies in Nigeria. The results also incorporate authors observations and contemporary literature in the field of discuss. On the whole, it is found that the textile sub-sector being the second employer of labour in the country is collapsing by the day due to intense and unfair foreign competition. This has raised serious question on the membership of Nigeria in the World Trade Organization (WTO). Since that has only resulted in industry closures, job losses, low productivity and excessive hardship on the citizens. Interestingly, we find that despite global competition some companies are able to remain relatively competitive. What differentiated them from the non-competitive companies is the management effort to take responsibility for implementing key changes in production, distribution, strategy and work process. To enable companies achieve sustained competitiveness, the paper recommends that government should also live up to its responsibility. This calls for innovative policies aimed at providing investor-friendly environment.

Introduction

One attribute that is central to the various derogatory 'nicknames' like third World, under developed countries, Less Developed Countries, Developing Countries and so on is that these countries lack adequate capital resources to gainfully engage the available human and material resource of their countries. A great belief is that, for a country to develop rapidly is for it to industrialize, since industrialized countries appear to be the most developed. However, evidences suggest that to be among the world producers of goods or services, a country needs to take responsibility for creating enabling environment for private sector to flourish. When that happened then the management of the private sector must also discharge their corporate responsibility for achieving and sustaining competitiveness.

In the late 1970s agriculture was neglected as the mainstay of the Nigerian economy in favour of industrialization due to the advent of crude oil. The Oil boom encouraged Nigeria to consolidate its import substitution industrialization strategy that sought essentially to replace imported manufactures with locally produced goods. That strategy could not be sustained due to its inherent high cost. Since then various programs were introduced to boast industrial growth and the most recent was the liberalization policy. As the economy becomes increasingly opened, Nigerian manufacturers continued to face serious difficulties in surviving foreign competition. While adopting minor changes in their approach to business, companies continued to consider themselves as local businesses that should enjoy some level of protection by the government. Many companies are yet to realize that the world of international business has experienced swift and dramatic transformation within the past few years creating a new world order that forces companies and consumers to exhibit "global mind set".

In this new wave of change however, Nigerian industries particularly manufacturing is considered internationally non competitive, due to the failure of local industries to secure a competitive position in the world market. The concern therefore is how to explore deliberate actions that could increase industries' participation in international market so that the nation may earn improved living standard for its citizens.

Statement of Problem

Nigerian entrepreneurs have low organizational skills and are unable to attract managerial and technical manpower capable of bringing about improvements in planning, financial management, strategy and other facet of the enterprise. In the same vain Inegbenebor (1995) found that Nigerian entrepreneur perform satisfactorily in small, low technology operations which do not demand high standards of product uniformity and regular production schedules. They are however, unable to operate large and technologically complex enterprises. Consequently, local companies once used to protectionism and providing consumers with high cost products having their survival in question as their once captive consumers flock en mass to better quality and competitive prices (Nwankwo, 1999). As a result 11 out of the 36 textile companies observed are closed down while 4 others operate epileptically. Kudaya (2000) concludes that the Nigerian manufacturing sector (especially textiles) has emerged as the first set of casualties of globalization with the glaring and increasing non-competitiveness of its products vis-à-vis imported goods.

The Technical Committee on Revitalization of Industries in Kano State (2003) maintains that Nigeria has signed numerous bilateral and multilateral agreements, which give foreign exporters/manufacturers free access to the Nigerian market. As a result, continued imports of cheap foreign products made it difficult for the local manufacturers to compete effectively. This situation raised a serious concern on the future survival of the local industries especially textiles. However, the committee observes that the greater part of the problems of local manufacturing industry is attitudinal. Many in the industry are oblivious of the need for hard work and adopting new ways of doing business. Others blame the non competitiveness of industries on the lack honesty and sincerity of purpose on the side of policy makers. This led to a number of contradictions and inconsistencies in economic policies that negatively affect industries (Duru, 2000). Besides, government has over the years failed to adequately provide basic infrastructure (electricity, fuel/black oil, road network, and water supply). This made it increasingly unrealistic for the local industries to rely heavily on government for assistance and help. Therefore, it has become evident that the central responsibility for competitiveness in domestic and international markets rests on the shoulders of business managers. The issue here is considering the fact that government is not forthcoming in providing enabling environment for industries, how would local manufacturers take responsibility for building and sustaining their competitiveness in the global market?

Methodological Issues

This paper addresses the global competitive problems faced by the Nigerian manufacturing industry especially textiles. The paper examines literature pertaining to key competitiveness factors which the management of companies are expected to be aware of. Based on the global competitive realities and local peculiarities an interview was administered on the management of textile companies situated in the Northern part of Nigeria. In all, five companies were selected out of 36 textile companies. They are African Textiles Manufacturer (ATM), Dangote General Textile Products LTD, Gaskiya Textile Mills PLC, Finetex LTD, and United Nigeria Textile PLC (UNTP).The results of the interview were descriptively analyzed in line with the contemporary literature to form the root of the 'Key Success Factors' advanced by the paper.

International Competitiveness: Conceptual Issues

International Competitiveness as a concept did not exist in national policy discussions until the last few years. The competitiveness, which is the instrument to compare productiveness in national and international levels, is well described in a number of studies. Benamanena, (1999) observes that, any trade deficit is a syndrome of an insufficient competitiveness in production system; of an inadequate export product range; of an excessive penetration of national market by the external competition; and of feeble firm behaviour in the international market. Such description even if it is not totally complete, remains operational to explain the causes of lack of competitiveness of the economies of developing countries.

As the number of countries involved in international trade grows the need to have a balanced equation of import and export has increased. Some frequently define competitiveness as a trade problem where trade deficit serves as an indicator of competitive difficulty. However, defining International Competitiveness as achieving a trade surplus or balanced trade is argued to be faulty and inappropriate (Porter, 1990). This is because explaining competitiveness solely on trade balance ignores the micro factors of competitiveness that exist on the shop floor. That is issues such as managerial imperative to raise standards, improved training, and up-grading technology, ensure quality, cost reduction and destroying bureaucracies that delay responsiveness to changes. Similarly, it is observed that the critical determinants of competitiveness are productivity improvements and technological innovation (Porter, 1990; Kotler, 2000). However, at the international level competition is regarded neither free nor fair (Fraser, and Widick, 1988). This is because there is protectionism in many industrialized countries and other forms of barriers such as anti-dumping and counter veiling duty laws.

On the whole this paper concurs with the definition of Starr (1988) and porter (1990) in which they maintain that International Competitiveness is the ability of a country to sell product and services produced by its industries in the global market place, including its own domestic market place. Also, its companies are able to deliver the highest level of quality (innovation) at the lowest possible cost.

As a result of the performance of its many companies, the country improves its overall standard of living and its global influence. In a nutshell, the only meaningful concept of competitiveness at the national level is productivity. The principal goal therefore is to produce a high and raising standard of living for citizens by effectively combining abilities, resources, and activities in commercial development, scientific and technical innovation and the organization of production. And this should be the focus of every purposeful corporate organization.

KEY INTERNATIONAL COMPETITIVENESS ISSUES

As several factors are drawing more and more companies into the international Arena. It has become increasingly clear that the benefit of a favorable global economic environment do not accrue automatically to any industry. In fact remarkable difference persists in the degree of success that industries have in taking advantage of the opportunity for strengthening their performance. The most common causes of organizational problems are considered to be lack of awareness and benign neglect. This underscores not only the risk of underestimating competitors but also compromises the very survival of a business. Although it is widely accepted that developing countries are rushed into global free market system without due regard to their state of development, management of companies are expected to pay serious attention to those competitive issues that influence global competition. This is believed to be a good way of responding to new challenges and staying relevant. The main International Competitiveness issues include: - technology upgrading, foreign investment and exporting.

Technology upgrading

Today’s world is divided not by ideology but by technology. Sachs, (2000) observes that, a powerful force drives the world towards a converging commonality, and that force is technology. Technological advances transform people’s lives by inventing new undreamed products and producing them in new undreamed of ways. Ohmae, (1989) also observes that on a political map the boundaries between countries are as clear as ever. But on a competitive map, a map showing the real flows of financial and industrial activity, those boundaries have largely disappeared. What has eaten them away is the persistent and ever speedier flow of information. It could be suggested that technology is now a fundamental tool enabling businesses to achieve more regardless of their size.

Presently, the Nigerian Manufacturing sector is characterized by inadequate and outdated technology (Nwonkwo, 1999). Most companies have been operating with outdated machinery and equipment. This is believed to be a serious factor that limits their competitiveness. Fafowora (1998) suggests looking outward for technology upgrading that will increase efficiency and improved quality essential for enhancing international competitiveness of Nigerian firms.

Foreign investment

Attracting foreign investment is particularly important now, as trade liberalization has exposed domestic enterprises to international competition. With lagging skills, technology and competitiveness, they only have a limited ability to gear up to world competition by upgrading these factors on their own. It is therefore observed that the growth and prospects in the developing countries depends on the new investment in their economies (Odipe, 1999). Attracting Foreign Direct Investment is also important because it supplements low domestic saving and facilitates transfer of technology to developing world (Aninat, 2000). However, recent studies have questioned this assumption. Multinationals are criticized for charging developing countries too much for technology transfer. They are also accused for improving inappropriate technologies (Odife, 1999, Pigato, 2000). Nonetheless, local industries are required to make themselves more attractive to foreign investors, so as to increase the flow of capital, which by now is considered inadequate (Andrea, and Beckman, 1999).

Exporting

An important means of measuring a country's modernization or its competitiveness is the increasing share of its manufactures in exports (Owolah, 1998). Exporting enables a company to have a unique competence (Porter, 1990). This is because unlike broadening domestically, expanding globally is likely to leverage and re-enforce a company's unique position and identity. Similarly, expansion in export volumes as against favourable terms of trade is an important source of competitiveness (Aninat, 2000). Again, it has been pointed out that given Africa's small economies, it is hard to imagine a successful diversification drive solely on domestic market. Therefore, export of industrial and non-industrial products provides the best avenue for attracting high and productive investment. Again, Bigsten et al, (2000), in their studies of four Sub-Saharan African Countries, found that, African manufacturers are more likely to reap efficiency gains from exporting than those in other regions. Unfortunately, Yet, Yeats et al (1996) provide evidence which suggest that anti competitive domestic government policies rather than trade barriers played a key role in the decline of Africa's export.

TEXTILES COMPANIES IN THE GLOBAL FREE TRADE SYSTEM

Our observations and results of the interview with the management of five textile companies reveal that, at present, the Nigerian textile market is filled with foreign products of different varieties. Locally manufactured fabrics have to contend with the influx of foreign products in terms of price, quality and otherwise. The High Performing Asian Economies (HPAE) which include China, India, Malaysia, and South Korea among others have succeeded in offering Nigerian buyers with cheap (sometimes sub-standard) products, thereby dominating the local textile markets.

However, sample companies have insisted that foreign governments usually subsidized exports to enable their companies compete favourably in terms of pricing. This claim was corroborated by the officials of the Nigerian Custom

Service that foreign companies were supported by their home governments through generous grants, aid and subsidies. And this has been the case for most of the developed/industrialized countries. This tends to be one of the roots of the price efficiency of cheapness of textile imports. Nevertheless, even without subsidies by foreign governments, the table below supports the claim by the local manufacturers. It shows evidences of why many Asian textile companies were indeed in a better competitive position than the local ones.

Table 1: Inflation, Interest Rates and Unemployment of Selected HPAEs and Nigeria

Country	Inflation (%)			Prime Rates (%)			Unemployment	
	1997	1998		1997	1998		1997	1998
Hong Kong	5.70	3.20		8.75	10.0		2.50	4.20
Malaysia	2.70	6.10		9.45	12.10		2.70	5.00
Philippines	5.10	10.00		14.50	18.00		10.40	13.30
Singapore	2.00	1.30		6.00	7.50		1.70	2.20
South Korea	4.40	8.00		8.50	11.50		2.60	6.90
Thailand	5.60	10.00		13.25	15.50		3.00	8.80
Nigeria	8.50	10.00		20.50	22.50		N.A	50.00

Source: JP Morgan Asian Financial Market & World Bank SME (October 2001)

This table explains to some degree how Asian companies were able to up-grade their production technology using cheaper sources of finance. It also indicates higher inflation and unemployment rates in Nigeria when compared to countries in Asia. This in turn explains the low purchasing power of an average Nigerian consumer. Hence, less expensive products from Asia (due to high-tech) were able to gain high patronage from local consumers who are already price sensitive. Thus, there is absolute agreement among the management of the selected companies that the competitive environment is in fact intense. The data obtained from UNTL and Gaskiyatex show decreasing profitability and occasional losses for different financial years due to high competitive pressure. As such, the managements of most of the selected companies reiterate that inability to make reasonable profit was the main reason why they could not expand and upgrade their production technology.

In another respect, the competitive difficulties of local textile companies are largely attributed to the deeply rooted belief among consumers that foreign fabrics are superior in quality. However, our investigation reveals that the notion of low quality associated with local textile products is to a large extent a "thing of the past". In almost all the companies sampled, quality was at the realms of affairs. The real challenge is the consumers' psychology. Nevertheless, we discovered that competitiveness does not only rest on product quality. This is especially so in the 21st century, when high technology in production has almost become a given.

The Nigerian textile industry is heavily dependent on imported machinery, dye stuff and other industrial supplies. The nation is yet to have a solid industrial base which will permit the production of industrial chemicals and equipments locally. The human capital of the country is also inadequate to sustain productivity in the local industries. As a result, companies have to spend a lot of money to obtain and retain expatriate. Cotton being the main raw material in the Northern textile mills has incessantly become expensive in the market. For instance, as at 2001 the price per kg was between N80 to N90, and by early 2003 the price per kg had reached N140.

Again, the infrastructure necessary for modern production has been at best inefficient. Consequently, companies must undertake heavy investments in boreholes and electricity generating sets to provide their own water supply and back-up power. In addition, the tariff on power and water is being doubled almost annually. At ATM, the average bill of electricity and water is estimated at N12 million and 6 Million respectively. These together have made cost of production for the industry exceptionally high. It is therefore worth mentioning that most of the textile companies that could not effectively adjust to lower international prices have either collapsed or have been in serious operational difficulties.

In view of the above, some of the management of the sampled companies, on the one hand, blame government for making them more vulnerable to (especially) “Asian Tigers”. They accuse government for not doing much to assist and safe guard local industries from unfair foreign competition and provide investor friendly environment for local industries to thrive. On the other hand, others fault the management of the textile companies for their oblivion towards new business challenges. They claim that the inability of the companies’ management over the years to re-position and modernize their companies was essentially the root cause of their problems.

In general, sample companies were clearly against liberalization policy pursued by the government. The companies have complained that global trade rules have not adequately taken into consideration the low level of industrialization of the Third World Countries. Besides, companies in developed and other industrialized economies have certain advantages, particularly in overcoming some unfair international trade practices, over companies from smaller economies. For instance, Fink, et al (2001) find that shipping costs were inflated by an average of 25 percent by the anti-competitive practices of shipping firms. While rich economies can deal with this problem unilaterally, smaller economies are not as fortunate. Hence, for the management of manufacturing companies to discharge their corporate responsibility effectively, certain factors need to be seriously considered.

CRITICAL SUCCESS FACTORS

Our observation reveals that many textile companies are embedded on sticky old concepts, which effectively inhibits new learning. As previous works clearly established sustained competitive advantage requires that companies continually find new opportunities in markets and respond to emerging challenges. On this back ground, this study establishes that certain factors contribute to the successes of those textile companies which exhibit high level of competitiveness. At the same time they explain why other textile companies remain rather non-competitive. These factors are discussed below:

Preparedness

We find that companies that attain high level of competitiveness are considerably aware of the need to overcome threats of liberalization and exploit the advantages of global market. In other words, companies that are able to achieve greater competitiveness in the face of mass influx of foreign products are also found to be exporters. They tend to achieve this by adopting new changes in their operations and business strategies. This finding corroborates the works of Julia and Yohoda (2002), which emphasize that adopting new patterns and anticipating changes is a core competence for business managers.

Economic of Scale

High volume is required to counter the operational efficiency and low over heads of foreign competitors. To this end, we find that that competitive textiles companies tend to increase market share steadily. Although all textile companies grapple with increasing cost of production which invariably limits their ability to compete, those that adopt new methods of production are found to be less affected. Failure to increase sales volume is therefore a prima facie evidence of failure to compete in the global market.

Investment

In this study there are awesome evidences that size of investment matters as far as International Competition is concerned. We find that highly competitive companies such as UNTL and ATM have larger investments and the least competitive company (Dangotex) has very small capital. Previous studies established that up-grading technology and skills on continues basis prepares companies for best (quality) performance and results. However, we observed that technology in the Northern textile industry is at best outmoded. Therefore, companies that were able to raise substantial capital to import modern production technology and expertise are found to have unique competitive advantage. More specifically, these companies have gradually retrenched product lines believed to be inferior (prints) in quality.

Foreign Investment

Closely related to the above, this study finds that foreign investment, in particularly, Chinese, Indian and Lebanese capital plays significant role in the capital structure of textile companies in Northern Nigeria. This in turn makes those companies with substantial foreign capital to have more competitive advantage than those that operate solely with local capital. This has given credence to the finding of World Bank (2002) which argues that the spillover effect of FDI in terms of movement of tangible and intangible assets is particularly helpful to (companies in the) host countries.

Access to market

Presently, product lines marketed by local textile companies were found to be quite limited. It is very difficult to explain why these companies failed to broaden the product line breadth. Yet, those companies that achieve greater competitiveness were able to make up for this deficiency by producing different brands and marketing them through various channels. In fact, merger/acquisition is used as a strategic option of taking over key channels of distribution and popular brands.

Vertical Integration:

The ability of textile companies to provide their own ginneries, spinning, weaving, finishing/ processes and related services is found to be a powerful source of competitive advantage. Although Christensen (2001) observes that vertical integration is an advantage only when a company is competing for a new business (needs that have not yet been satisfied), we find that due to certain peculiarities (outdated technology, narrow product ranges and uncertainties of supply sources) that characterized the conditions of textile industry, over reliance on others could be deadly. This explains why we have not found collaboration (outsourcing and resource sharing) to be a source of competitive advantage for the textile companies. However, we observed that if efficiency and reliability of supply from other companies is enhanced, outsourcing could be an important cost cutting strategy. Similarly, when the industry diversifies and modernizes, resource sharing could also be a valuable source of advantage.

Conclusions

The challenge of bridging the gap between the rich nations of the North and the poor countries of the South falls to a great extent on the shoulders of the business manager. The erosion of a nation's competitiveness is above all a problem of management. And corporate problems require management solution. Traditional remedies such as trade protection, tax incentives, and government regulations, are inadequate and misplaced tool; they simply will not work. The starting point is to build corporate capabilities that will produce a strong, capable and relatively competitive manufacturing industry.

Therefore, withstanding foreign competition will invariably require taking responsibility by the management of manufacturing industries to create, sustain and exploit key advantages for wining global competition. They are expected to abandon past practices and adopt global strategies and modern production technology. Although expertise is very limited locally, there is an urgent need to deliberately intensify learning especially from industries based in Asian. Finally, government is expected to be more responsive to the urgent need of the industries in terms of good road networks, efficient power generation and distribution; water supply and minimizing bureaucratic bottlenecks in the nation's seaports that often delay import of key inputs as well as export of finished products. Above all, government has to live up to its responsibility for combating smuggling which is today in its highest peak in the country. It is our belief that when government takes responsibility for providing an investor friendly environment and when business managers design and implement changes in production, distribution and strategy, the competitiveness of the nation's manufacturing industry would be enhanced. However, sustained competitive advantage could only be achieved when the management of the individual companies exhibit global mind-set and when learning from the best practices of others around the globe are creatively internalized and implemented. In short, local industries must re-invent themselves to stay relevant.

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