

**The Business Strategy Development among SMME's  
in the Kwa-Zulu Natal Clothing Manufacturing Sector**

By

Carmen Rochelle Laljit

Submitted in partial fulfillment of the requirements for the degree of  
Masters in Business Administration

Business Studies Unit, Durban University of Technology  
in the Faculty of Commerce

Supervisor: Mr P. Raap

November 2006

28 February 2007

TO WHOM IT MAY CONCERN

**RE: Permission For Submission**

This research project has been reviewed by the undersigned and hereby permission is granted for submission for examination.

Sincerely

-----

Peter Raap (Supervisor)

# DECLARATION

This work has not been previously accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

Signed..... Date.....

## STATEMENT 1

This dissertation is being submitted in partial fulfillment of the requirements for the degree of Masters in Business Administration.

Signed..... Date.....

## STATEMENT 2

This dissertation is the result of my own independent work/investigation, except where otherwise stated. Other sources are acknowledged by footnotes giving explicit references. A bibliography is appended.

Signed..... Date.....

## STATEMENT 3

I hereby give consent for my dissertation, if accepted, to be available for photocopying and for inter-library loan, and for the title and summary to be made available to outside organisations.

Signed..... Date.....

## **ACKNOWLEDGEMENTS**

I hereby wish to express my gratitude to the following individuals who enabled this document to be successfully and timeously completed.

P. Raap	guidance and assistance
S. Moodley	administrative assistance
Q. Laljit	editorial and technical assistance, encouragement
R.C.D Govender	editorial expertise, encouragement
D.E.R Govender	assistance in acquiring resources, encouragement
G.B. Govender	assistance with data capturing and analysis
E.M Govender (late)	editorial expertise and encouragement
F. Kadwa	providing access to literature, encouragement
R. Herr	providing access to literature
D. Laljit	encouragement and support
P. Laljit	encouragement and support
Respondents	for their contributions

## **DEDICATION**

This dissertation is dedicated to my husband Quintin Laljit.

## **ABSTRACT**

One of the major problems facing SMME's in the South African clothing industry is the surge of clothing imported particularly from China, which negatively impacts on the ability of local firms to survive in business. Despite this challenge within the volatile business environment some SMME's within the clothing industry have been resilient and have remained in business. This survey focused on the existing business strategies of SMME's within the clothing manufacturing sector of Kwa-Zulu Natal.

The main aim of the research was to establish the underlying factors of competitive advantage of SMME's and to determine the strategic action taken by businesses in order to combat the impact of the sale of imported clothing in South Africa. In addition, an evaluation of the success of these strategic choices was carried out so that future business strategies for SMME's can be developed to ensure sustainable competitive advantage. The related existing literature provided a detailed analysis of the business environment and the challenges currently facing SMME's. However, while current literature clearly portrayed the decline of the industry and severe problems within the business environment, there was a paucity of evidence for literature on the development of business strategies of SMME's in the clothing industry. This study was aimed at bridging this gap in literature.

The research design was quantitative in nature. A questionnaire was designed as the primary source of data collection to gain a deeper understanding of the development of competitive strategies of SMME's in the Kwa-Zulu Natal clothing manufacturing sector. Business owners and managers were the target respondents and were chosen from a directory of clothing manufacturers in Kwa-Zulu Natal. In order to remain competitive, firms need to find strategies to adapt to these changing dynamics which was the focus of this study.

**Keywords:** Business strategy, competitive advantage, clothing imports, strategic choices, business environment.

# TABLE OF CONTENTS

CHAPTER 1:INTRODUCTION .....	5
1.1. Introduction .....	5
1.2. Background to the problem.....	6
1.2.1. South Africa’s entry into the global market.....	6
1.2.2. China and the abolition of the quota regime .....	7
1.2.3. China’s success.....	7
1.2.4. Protective measures for the South African clothing industry.....	8
1.2.5. Protective action for the clothing industry and the business implications for SMME’s .....	9
1.3. Problem statement.....	9
1.4. Aims and significance of the study.....	10
1.5. Objectives of the study.....	11
1.6. Scope and limitations of the study .....	11
1.7. Format of the study.....	12
1.7.1. Chapter 1- Introduction .....	12
1.7.2. Chapter 2- Literature Review .....	12
1.7.3. Chapter 3- Research Methodology .....	12
1.7.4. Chapter 4- Data Analysis and Interpretation .....	12
1.7.5. Chapter 5- Conclusions and Recommendations.....	13
1.8. Conclusion.....	13
CHAPTER 2:LITERATURE REVIEW .....	14
2.1. Introduction .....	14
2.2. Strategic Analysis .....	14
2.2.1. The Environment.....	15

2.2.1.1. Political factors .....	16
2.2.1.2. Socio-cultural factors .....	16
2.2.1.3. Economic Factors.....	18
2.2.1.4. Technological factors .....	19
2.2.1.5. Other constraints to competitiveness .....	19
2.2.2. Resources, competences and strategic capability .....	20
2.3. Strategic choice .....	21
2.3.1. Products.....	22
2.3.1.1. Price-based Strategies .....	22
2.3.1.2. Differentiation-based strategies.....	23
2.3.2. Markets .....	24
2.3.2.1. Niche markets .....	24
2.3.2.2. Export strategies .....	26
2.4. Conclusion.....	27
CHAPTER 3:RESEARCH METHODOLOGY.....	29
3.1. Introduction .....	29
3.2. Purpose of the study.....	29
3.3. The Research design.....	29
3.3.1. Type of research .....	29
3.3.2. Target population.....	30
3.3.3. Sampling, selection and size .....	31
3.3.4. The Research instrument.....	31
3.3.4.1. Questionnaire construction and design .....	31
3.3.4.2. The questionnaire items .....	32
3.3.4.3. Reliability and validity .....	33
3.4. The Research process.....	34

3.4.1. Administration of questionnaires .....	34
3.4.2. Collection of questionnaires .....	34
3.4.3. Data capturing and processing .....	34
3.4.4. Data analysis and interpretation.....	35
3.5. Secondary data.....	35
3.6. Conclusion .....	36
CHAPTER 4:DATA ANALYSIS AND INTERPRETATION.....	37
4.1. Introduction .....	37
4.2. Evaluation and analysis of results.....	37
4.2.1. Results.....	37
4.3. Findings .....	37
4.3.1. Section A .....	38
4.3.1.1. Number of employees .....	38
4.3.1.2. Years in business .....	39
4.3.1.3. Product categories being produced.....	39
4.3.1.4. Core business .....	41
4.3.1.5. Markets.....	42
4.3.1.6. Market percentage .....	42
4.3.2. Section B .....	43
4.3.2.1. Motives underlying strategic decision making .....	43
4.3.2.2. Basis of competitive advantage and strategic capability .....	45
4.3.2.3. Competitive strategies regarding product offerings .....	46
4.3.3. Section C .....	49
4.3.3.1. Strategy development directions .....	49
4.3.3.2. Question 3.2 .....	52
4.3.3.3. Question 3.3.....	52



CHAPTER 5:CONCLUSION AND RECOMMENDATIONS .....	55
5.1. Introduction .....	55
5.2. The underlying factors of competitive advantage of SMME's .....	55
5.3. The effect of imported clothing on strategic choices .....	57
5.3.1. Broad strategic development direction.....	57
5.3.2. Product decisions.....	58
5.3.3. Market decisions .....	58
5.3.4. Strategic choices.....	59
5.4. Recommendations .....	61
5.5. Limitations of the study .....	62
5.6. Recommendations for further research.....	63
5.7. Conclusion .....	64

## TABLE OF FIGURES

Figure 4-1: The number of employees within SMME's.....	38
Figure 4-2: The number of years in business.....	39
Figure 4-3: Clothing categories being produced .....	40
Figure 4-4: Number of SMME's producing a combination of apparel.....	41
Figure 4-5: The Core business of SMME's in the clothing Industry .....	41
Figure 4-6: Markets supplied by SMME's in the clothing sector.....	42
Figure 4-7: Relative average percentages of markets supplied .....	43
Figure 4-8: Overall ranking of business motives .....	45

## **LIST OF TABLES**

Table 4-1: Factors of competitive advantage of SMME's .....	45
Table 4-2: Frequency analysis of competitive strategies .....	47
Table 4-3: Summation of competitive strategies .....	47
Table 4-4: Frequency analysis of business decisions .....	50
Table 4-5: Summation of business decisions.....	50

## **TERMS AND DEFINITIONS**

### **Cannibalisation**

Cannibalisation is when a company introduces a new product that “eats away” at one of its own established markets (Parrish and Cassill, 2004:4).

### **Core competences**

Core competences are activities or processes that underpin an organisation's competitive advantage (Johnson and Scholes, 2002:156).

### **Critical success factors (CSF'S)**

Critical success factors are those product features that are particularly valued by a group of customers and, therefore, the organization must excel to outperform its competition (Johnson and Scholes, 2002:151).

### **Diversification**

Diversification is typically defined as a strategy which takes the organisation away from its current markets or products or competences (Johnson and Scholes, 2002: 297).

### **Exports**

Exports refer to goods that are produced within a country but sold to the rest of the world. Exports constitute an addition or injection into the circular flow of income and spending in the domestic economy (Mohr and Fourie, 1998:84).

### **Globalisation of production**

Globalisation of production implies that firms are basing individual productive activities at the optimal world locations for the particular activities (Hill, 2003:31).

### **Imports**

Imports refer to goods that are produced in the rest of the world and purchased for use in the domestic economy. Imports constitute a leakage or withdrawal from the circular flow of income and spending in the domestic economy (Mohr and Fourie, 1998:84).

### **Industry**

A group of firms that produce the same principal product (Johnson and Scholes, 2002: 110).

### **Related Diversification**

Related diversification is strategy development beyond current products and markets but within the industry in which the company operates (Johnson and Scholes, 2002: 297).

### **Small Business**

According to the National Small Business Act No 102. (South Africa 1996:1901), a small business is: "A separate and distinct entity, including co-operative enterprises and non-governmental organizations, managed by one

owner or more which including its subsidiaries, if any, is predominantly carried on in any sector of the economy.

### **Medium Enterprise**

The general schedule specifies that a medium enterprise may have a maximum of two hundred employees, a maximum annual turnover of R40 million per annum and a total gross asset value of R18 million including fixed property (South Africa 1996:1901).

### **Small Enterprise**

A small enterprise may have a maximum of 50 employees, a maximum turnover of R10 million per annum and asset value of R3.75 million (South Africa 1996:1901).

### **Very Small Enterprise**

A very small enterprise may have a maximum of 20 employees, R4 million turnover per annum and R1.50 million in assets (South Africa 1996:1901).

### **Micro Enterprise**

A micro enterprise may have a minimum of 5 employees, R0.15 million turnover per annum and R0.10 million assets (South Africa 1996:1901).

### **Structural drivers of change**

Structural drivers of change are forces likely to affect the structure of an industry, sector or market (Johnson and Scholes, 2002: 103).

## **Unrelated diversification**

Unrelated diversification is whereby an organisation moves beyond its current industry (Johnson and Scholes, 2002: 302).

## CHAPTER 1: INTRODUCTION

### 1.1. Introduction

The clothing industry in Kwa-Zulu Natal was once a hub of activity. At its peak, it provided jobs for more than 170 000 employees, providing for more than 1 million South Africans every year (Kipling, 2005:1). In addition the clothing industry is of great importance to the South African economy primarily because of its labour absorptive capacity and its ability to offer entry level jobs for unskilled labour (Barnes, 2005:6). However, in recent years the manufacturing sector of the clothing industry has come under threat as a result of globalisation. Previously, the industry wanted exposure to international markets, however, globalisation and trade liberalisation has had a reciprocal effect (Robertson, 2005:9). The industry has been severely affected by the international competition created by the importation of low cost clothing, particularly from Asia.

The industry, being highly competitive and price sensitive, has been the first sector to feel the effects of globalisation. Consequently, this has had a direct impact on the scope of management decision making. In the past decision-making was based on domestic market conditions. However, managers are now faced with the fast changing dynamics of the global business environment. Many local clothing manufacturers have either switched to become importers of apparel or have closed manufacturing operations (Steenkamp, 2005:16).



The impact of clothing imports has been one of the major factors undermining the growth of the small, medium to micro enterprise sector (SMME) (Kadwa, 2004:2). This sector has been of growing significance in South Africa. In many parts of the world, small businesses are considered to be important contributors to economic development. SMME's in South Africa are expected to play a vital role in economic growth. This study therefore focuses on those SMME's that have remained in business despite the challenge of the influx of imported clothing within the industry. Particular focus is placed on the development of business strategy and aims to provide literature that will assist SMME's in achieving sustainable competitive advantage in South Africa.

## **1.2. Background to the problem**

### **1.2.1. South Africa's entry into the global market**

After South Africa became a democracy in 1994, economic sanctions were lifted and the country rejoined the global market. South Africa found that the pace of global trade was now moving extremely fast compared to the pace of the local South African market. Consequently, since 2001 the South African market has been flooded with clothing imports from Asian countries with China being the largest exporter. The extraordinary surge in clothing imports since January 2005 has posed a serious threat to the local clothing industry. Statistics have shown that the volume of imported clothing dwarfs that which is exported by local manufacturers (Robertson, 2005:9).

### **1.2.2. China and the abolition of the quota regime**

According to Steenkamp (2005:16) since the abolition of the quota regime that once protected South African trade from Chinese imports, the local industry has been in a crisis. "Clothing imports have risen from 133 million garments in 2001 to a total of 389 million garments in 2004. This equates to over nine garments for every living South African from imports alone. China holds 86 percent of the market for exports. The next biggest source is India with a 5 percent market share. Imports from China have grown by 394 percent over four years" (Kipling, 2005:1). China has thus become the focus of attention as a major competitive force in the clothing industry. Goods imported from China are also negatively impacting on some of the large clothing industries and economies around the world (Steenkamp, 2005:16).

### **1.2.3. China's success**

According to Kipling (2005:1), "China has become the first country to recognise that to be a player in the global apparel market, factories needed to be large. This trend within China is predicted to grow even stronger with clothing factories consisting of between 5 000 and 10 000 employees. One of China's strengths lies in its labour regime which is highly competitive and is based on a culture of very low wages and long working hours. China has also recognised the growing importance of logistics. The Chinese are not only able to produce goods cheaply but they are now able to transport goods to other countries efficiently and reliably. In addition, the ports in China are zones of excellence in terms of cargo handling".

In comparison, the South African clothing industry was built up under isolation with production being driven by the domestic market. As a result South African companies have not been able to achieve economies of scale experienced by a country like China. According to Barnes (2005:7) South Africa with its present exposure to international competition is comparatively inefficient, lacks capital, technology and innovation and has high labour and management costs in comparison with China.

China's success also lies in its currency being pegged to the US Dollar. As the US dollar depreciates so too does the Chinese currency resulting in the low cost of Chinese goods (Herr, 2005:5).

#### **1.2.4. Protective measures for the South African clothing industry**

South Africa has had two options to protect the local clothing industry namely:

- Safeguard measure in terms of the general World Trade Organisation (WTO)
- The China Accession Protocol

In terms of the WTO rules, safeguard measures can be instituted in the event of a sudden surge in imports that cause or threaten to cause serious injury to the domestic market. This would provide the local clothing industry with a measure of interim relief which would become available in the form of quotas. In addition, the China Accession Protocol provided for special safeguard action to be taken if a member such as South Africa believes that the import of clothing threatens to impede the development of trade in these products because of market disruption. The affected WTO member can request consultations with China on the issue. On receiving the request China would

be compelled to limit its import shipments to a level not higher than 7.5 percent above the volume of the preceding 12 months. This interim relief is available for a maximum of one year only (Steenkamp, 2005:16).

#### **1.2.5. Protective action for the clothing industry and the business implications for SMME's**

The government will not jeopardize its relationship with China as commodities are needed for other industries and the trade relationship between South Africa and China which stems beyond the clothing industry may be beneficial to the country as a whole. The local clothing industry has decided to engage the government in finding a solution to the problem. However this approach has not led to tangible results. The clothing industry to date has not lodged an application for safeguard measures with the International Commission neither has the South African government made use of its rights in terms of the China Accession Protocol (Steenkamp, 2005:16). The responsibility therefore lies with business owners and managers of SMME's in the clothing industry to find new business strategies that insulate themselves against low cost imported goods.

#### **1.3. Problem statement**

As a result of the surge of imported clothing into South Africa, small, medium and micro enterprises (SMME's) have been struggling to survive against competition created by low cost imported clothing. These facts, coupled with the growing significance of SMME's in South Africa have prompted this study, which focuses on those SMME's that have remained and survived in the clothing manufacturing business despite the challenges brought about by the

sale of imported clothing. This study focuses on the existing business strategies of SMME's within the clothing manufacturing sector of Kwa-Zulu Natal.

#### **1.4. Aims and significance of the study**

The competitive pressure created by the sale of imported clothing has led to major changes in business activity within the clothing industry. As a result of this competition, some SMME's have moved into the informal sector. Despite these challenges, some clothing manufacturers have remained in business. This research aims to aid in the development of successful strategy that would prevent further infiltration of SMME's into the informal sector and a further decline of this sector which would lead to increased unemployment in South Africa.

This study focuses on the strategic decisions made by SMME's in Kwa-Zulu Natal in dealing with the competition created by the sale of imported clothing. It will highlight the strengths and weaknesses of current business strategies. It will also provide strategic options that will enable survival, growth and profitability of SMME's in the industry by providing information that equips potential small business owners to develop appropriate business strategies in today's present climate.

Internationally SMME's are perceived to be major contributors to job creation and economic development. SMME's have increased in significance and are expected to become income generators in the South African economy to alleviate unemployment. Thus, the South African government has placed emphasis on funding and support of small business initiatives. However, the

intense competition that exists within the business environment of the clothing industry has led to the reluctance of small business owners to enter the market. Studies have indicated that imported clothing is likely to dominate the South African clothing industry, hence the need for research into this area (Kadwa, 1998:52).

### **1.5. Objectives of the study**

The main objective of the study is to establish and evaluate the development of current business strategies of SMME's in response to the sale of imported clothing and to provide strategic direction to achieve a sustainable business.

This will be researched through the following objectives:

- To establish the underlying factors that influence the competitive advantage of SMME's in the Kwa-Zulu Natal clothing industry.
- To establish the effect of the sale of imported clothing on the strategic choices made by SMME's.
- To analyse various strategies currently practiced to determine if SMME's can achieve a sustainable competitive advantage.

### **1.6. Scope and limitations of the study**

The study is limited to small businesses in the region of Kwa-Zulu Natal. A list of clothing manufacturers published by the Industrial council provided the database of target respondents. SMME's were extracted from the list based on the number of employees within the business.

## **1.7. Format of the study**

This study consists of the following chapters:

### **1.7.1. Chapter 1- Introduction**

Chapter one has provided insight into the present situation facing clothing manufacturers and in particular SMME's in South Africa due to free trade and globalisation. This chapter also details the research process to be followed for the study.

### **1.7.2. Chapter 2- Literature Review**

Chapter two provides a review of literature and discusses the constraints and opportunities within the business environment and the various strategic options available to SMME's. Findings by various authors are discussed and analysed.

### **1.7.3. Chapter 3- Research Methodology**

Chapter three describes the research design and methodology. A breakdown of the research instrument and the procedures for gathering data are provided.

### **1.7.4. Chapter 4- Data Analysis and Interpretation**

Chapter four provides an analysis of findings which includes existing strategies employed by SMME's. The results are presented graphically together with a detailed analysis and interpretation.

### **1.7.5. Chapter 5- Conclusions and Recommendations**

Chapter five concludes with a discussion on the development of existing business strategies of SMME's. Based on the information gathered, recommendations are made and the areas highlighted for further research.

### **1.8. Conclusion**

Chapter one has provided a brief introduction to the study showing the effects of globalisation on the manufacturing sector of the clothing industry in South Africa. Particular reference has been made to the Chinese influence on the local clothing industry. This chapter has also highlighted the expected role of SMME's in economic growth and the need for businesses to be able to achieve sustainable business. Chapter two sets out to provide a detailed review of literature on the effects of imported clothing on the development of business strategy of SMME's. Past strategies are reviewed and the implications for management decision making of SMME's are discussed.



## **CHAPTER 2: LITERATURE REVIEW**

### **2.1. Introduction**

Business strategy development among SMME's may be a conscious, planned and systematic process. However, in the present climate of the clothing industry the development of business strategy of SMME's is being inflicted by the external force created by low cost imported clothing. This could mean that the scope of decision making has to undergo significant change in order to be successful in business. This could also imply that a firm's ability to determine its own strategic direction is limited (Ambrosini et al, 1998:182). This chapter focuses on the important elements of strategic analysis and integrates current literature in respect of the strategic options available to SMME's in Kwa-Zulu Natal within the current environmental context.

### **2.2. Strategic Analysis**

In order to understand the current situation facing SMME's in the clothing industry, the literature review looks at a strategic analysis of the environment and the importance of resources and competences as a basis of strategic capability of the organisation.

Johnson and Scholes (2002: 361), state that survival and success in business is primarily influenced by a firm's ability to respond to the competing pressures associated with the following:

- the ability to fit new strategies to a changing environment;
- the ability to maximise and exploit the resources and competences of the organisation and;

- the ability to meet the expectations and purposes of stakeholders.

The ability of managers to respond to these factors has an influence on future decision making and determines strategic choice. The competitive pressure created by the sale of imported clothing has created challenges within the business environment. Being able to utilise and adapt existing business strategies to meet these challenges within the changing environment coupled with the ability to exploit the organisation's key resources are of great significance. While large organisations are often characterised by strong corporate governance and cultural issues, this does not appear to be the case within small businesses in South Africa. The expectations and purposes of stakeholders are far less complex than in large organisations as the senior executive/s may also be in an ownership position (Johnson and Scholes, 2002: 26) Therefore, dealing with changes in the environment and being able to maximise the organisation's resources should be of greater priority to SMME's. These factors also determine the future development directions for businesses.

### **2.2.1. The Environment**

Johnson and Scholes (2002:18) state that the environment consists of numerous variables which will either give rise to opportunities or exert threats upon businesses. The scope of strategic choice of SMME's may be severely limited because of the environment being a dominating influence. The following sections identify the current constraints and opportunities within the local clothing industry which impact on the survival and growth of SMME's in South Africa.

### **2.2.1.1. Political factors**

Since South Africa became a democracy in 1994, the structure of the economy has undergone numerous changes. The new government inherited a domestic economy that has been described as being highly protected, subsidised, inefficient and uncompetitive mainly as a result of import substitution policies. Since then, the new government has implemented a number of policies and programmes to restructure the South African economy in order to make it globally competitive and develop an integrated manufacturing economy (DTI Report, 2005: 1). Overall, the political climate in South Africa is presently seen as being the most stable in years which has resulted in a high business and consumer confidence (DTI annual report, 2005:1). Despite the current challenges within the clothing industry the political climate of the country is more than ever before favourable for business opportunities.

### **2.2.1.2. Socio-cultural factors**

Socio-cultural changes in South Africa have caused a great change in consumer behaviour and demand. As a result of global exposure and the fast pace of technology and communication, consumer awareness has increased. In addition, Kadwa (2004:30) states that as income distribution patterns change within South Africa, quality, design and uniqueness of products and image are becoming important factors particularly to upwardly mobile consumers.

Research on emerging markets in South Africa has shown that there is a growing black middle class group that is “fuelling a consumer boom” ([www.fin24.co.za](http://www.fin24.co.za)). Retailers have reported record profits over the last few

years due to the rapid increase in this consumer group. This group currently accounts for two million of the country's population of forty five million and is considered a hugely powerful consumer group. Research has shown that almost 300 000 black South Africans have become middle income earners over the last three years and about 500 000 black South Africans have increased their status to become part of the lower-middle income group ([www.southafrica.info.co.za](http://www.southafrica.info.co.za)). Additionally, a study by the Unilever Institute found that black buyers having a disposable income were more brand conscious than white counterparts and favoured symbols of style and wealth of which clothing and lifestyle are a major part ([www.fin24.co.za](http://www.fin24.co.za)). Consumer demand has therefore taken on a new dimension in South Africa. Consumers now require an increased variety in choices of products and greater value for money. According to Kaplinsky and Manning (1998:157), as per capita income increases and consumers are prepared to pay more for non-standardised products manufactured in smaller units, SMME's will strengthen thus providing opportunities for small businesses in South Africa.

According to the DTI Annual Report (2005:32) consumer finances are currently described as being in healthy shape due to income growth, employment growth, lower interest rates, inflation and lower tax rates. Consumer confidence and utilisation of credit are on the increase. These aforementioned factors indicate that despite the current challenges facing SMME's in the clothing manufacturing sector, there is a buoyant consumer demand and spending which could present business opportunities for small businesses.

### **2.2.1.3. Economic Factors**

Previously, there has been a strong correlation between manufacturing production volumes and retail sales volumes in South Africa as the bulk of manufacturing output was sold to the domestic retail market. However, over the last two years a large gap between the manufacturing and retail performances has been noted. This “large gap” can be attributed to retailers sourcing goods from overseas at cheaper rates and as a result great strain is being placed on the manufacturing sector including both large and small manufacturers. Globalisation of production has caused change within the structure of the industry as historically the manufacturing sector was highly dependent on the local retail market for business.

In addition, the demand for clothing is price elastic and the recent problems within the industry can be attributed to:

- the influx of clothing imports from Asian countries and,
- the deteriorating export-growth due to the strengthening of the Rand (Barnes, 4:2005).

Both these factors have caused “dislocations in the business cycle” and are crucial factors in business decision-making. The strong Rand favours importers and constrains high value-added exporters. While the domestic demand is keen, it has not fully benefited manufacturers because demand is being met by imported goods sold by retailers (DTI annual report: 20). The DTI annual report (2005:32) stated that the retail sector is experiencing “booming business conditions”. According to Kadwa (2004:40), retailers have found it cheaper to import clothing as the purchase of locally manufactured products is not cost effective. In addition locally manufactured goods are

associated with poor productivity and a high cost of production. This has resulted in a thriving retail sector and has had a positive impact on the South African economy.

#### **2.2.1.4. Technological factors**

The lowering of trade barriers has made globalisation a reality which has been greatly aided by advances in technology. Since World War II, the world has seen major advances in communication, information processing and transportation technology. The emergence of the Internet has allowed small businesses to expand their presence globally at a lower cost than ever before (Hill, 2003:11).

#### **2.2.1.5. Other constraints to competitiveness**

One of the most significant inputs into the clothing sector is fabric. The fabric used in the manufacture of a garment accounts for half of the cost of production. This clearly links both the clothing and textile industries together. A major constraint to the clothing industry is the shortage of domestically produced fabrics and the limited variety of fabrics produced locally. The local textile industry is also characterised by long lead times, poor delivery, unreliability and deteriorating quality of performance. The expansion of the clothing industry is therefore constrained because of an inefficient and unsupportive textile industry (Barnes, 2005:5).

### **2.2.2. Resources, competences and strategic capability**

The previous sections outlined positive and negative factors within the external environment. While there may be many positive factors aiding in the development of successful strategies of SMME's, they are also dependent on a firm having the strategic capability to perform at levels required for success and sustainability. Johnson and Scholes (2002, 354) state that it is important for managers to recognise the role of organisational capabilities and core competences in terms of the bases on which competitive strategy and advantage may be built. When analysing the strategic capability of the organisation it is important to understand whether the company's resources and competences fit the dynamics of the environment. For example a SMME may have the most suitable product for the ideal target market, however if the business does not have the necessary resources to manufacture the product then the strategy cannot be fully supported. These resources and core competences will provide the basis for the formulation of strategy and provide the ability to exploit opportunities within the business environment. Johnson and Scholes (2002: 153) identify four major groups of resources within an organisation; namely physical, human, financial and intellectual resources. Historically, SMME's have been known to be under-resourced particularly in the area of financial resources and apart from clothing imports, little or no access to finance has been the greatest factor undermining the growth of SMME's in Kwa-Zulu Natal (Kadwa, 2004:214).

Existing research has recommended that business success in the clothing industry can be possible through the formation of inter-firm linkages between SMME's within the clothing industry as well as training and upgrading of skills

of both management and workers. It has been noted that inter-firm linkages can assist in strengthening SMME's to take advantage of bulk purchasing, sharing facilities and taking advantage of export opportunities (Kadwa 2004:24). While these are seen as a vehicle for growth and development and maximising resources in the clothing industry, lack of trust amongst SMME's can prevent such a strategy from developing at a pace required to combat the threat of imports on businesses. Building trust and open communication amongst SMME's is a long process and may not be ideal for the current situation within the clothing industry which demands fast responsiveness (Davies, 2001:5). If companies service niche markets, close relationships may make it difficult to protect the company's market share.

### **2.3. Strategic choice**

According to Aktuglu (2001:152), the emergence of global trade and environments, alternatives for production and availability of goods, have increased competition in the clothing industry. Some of the reasons for the nature of competition within the clothing industry discussed by Jarnow and Dickerson (1997:179) are size, product and type of operation which vary widely from one clothing manufacturer to another. Other important factors are involved in the competition between firms and these factors impact on the behaviour of businesses in the industry and play a role in strategic decision making. These include the following:

- the price of the product,
- the quality of the construction, design and fabric of the product,
- the uniqueness of the product,
- the target market/ market segment



The change and uncertainty caused by low cost clothing imports have resulted in a shifting nature of competition. In the subsequent sections, different bases of competitive advantage and strategic options are explored. These concern two important aspects namely the product being manufactured and the market being serviced.

### **2.3.1. Products**

The current climate of the clothing industry demands that SMME's revisit their strategic options regarding their product/s. These include decisions such as price and type of product.

#### **2.3.1.1. Price-based Strategies**

Kadwa (2004, 40) indicates that price has become increasingly important as the basis for competition within the local clothing industry. Retailers source their goods from manufacturers who can offer a cost and quality advantage and shorter lead times. However, with South African retailers now sourcing merchandise from the Asian countries, it has been increasingly difficult for SMME's to compete on the basis of price as the cost of imported goods is extremely low. Local manufacturers have faced many obstacles such as the poor support from the local textile industry, making it almost impossible for local manufacturers to remain competitive against low cost clothing imports.

Research by Harrison and Dunne (1998) has shown that clothing manufacturers in Kwa-Zulu Natal have been forced to sacrifice profit for turnover in order to remain competitive. Such measures indicate that alternative strategies are necessary for SMME's other than competing on the

basis of price. There is a strong need for firms to insulate themselves from lower priced commodity products (Parrish and Cassill, 2004:1). As a result of the fierce competition created by clothing imports, SMME's that do compete on the basis of price may run into difficulty when trying to achieve sustainable business. In addition, since too many firms have adopted low pricing strategies in the industry, an additional route may be necessary for SMME's.

As an example, it would be unusual for a clothing manufacturer and retailer to provide "just-in-time" fashion. The company designs and produces garment collections in five weeks, compared to the competitor's six-month design phase and three-month production period (Vitzthum, 2001). Instead of employing a strategy that is based on price, the business gains a competitive advantage because of quick production lead-time of garments, fast responsiveness to fashion trends and distribution and delivery. This presents an alternative strategic option for SMME's.

#### **2.3.1.2. Differentiation-based strategies**

In the clothing industry, competition often takes the form of product differentiation. Successful companies are noted for their ability to differentiate their products such as Levis Strauss who has dominated the clothing industry since the 1980's. However, competitors have still tried to capture a share of the market. Well-known brands such as Calvin Klein, Donna Karen, Liz Claiborne as well as small brands and small end products such as J.C Penny have successfully differentiated their denim jeans by using distinctive logos and sewing machine stitching (Schiller, 2000:544). All of the above companies produce denim jeans which serve the same functional purpose, however

through differentiating their products, good quality, advertising, and pricing, each company whether large or small has created a unique image. A same or similar product is regarded as a close substitute. This type of strategy in the clothing industry would be made possible through marketing-based approaches such as building a strong brand and competence-based approaches in which SMME's use differentiation on the basis of their competences.

Consumers identify and associate themselves with a particular image which leads to brand preference and brand loyalty. For example, A consumer who wants only "Guess?" jeans and prefers that particular brand may be willing to pay a premium for that brand. When consumers tend to re-purchase the same brand or are willing to pay more for a product it is a clear indication that they are loyal to that particular brand. (Schiller, 2000:545). A recent study has shown that the brand is in effect one of the firm's most valuable assets as companies rely heavily on their public image to market their brands. The study has also shown that customers are turning away from brands that attract negative publicity (Wong and Taylor, 2000:78). While pricing of goods is an important factor, SMME's may have to consider strategies that are based on product differentiation and establishing strong brands.

### **2.3.2. Markets**

#### **2.3.2.1. Niche markets**

SMME's need to make decisions regarding the markets that are serviced. This could include finding new markets within the same industry or finding new markets outside the clothing industry. This could also involve consolidation

and protecting of current markets or finding new opportunities such as niche markets.

The US is one of the many large countries that is also feeling the effects of low cost imports from Asian countries, in particular China. In 2005 US companies have been seeking particular business strategies that will allow them to compete globally against these competitors. One of the ways that the US is remaining competitive against lower priced imports is by moving away from the traditional commodity and mass markets and specialising on more focused niche markets. According to Kotler (2000:257) a niche market is a narrowly defined group, typically a small market whose needs are not well served.

An attractive niche has a distinctive set of needs:

- the niche will pay a premium to the firm that best satisfies their needs
- the niche is not likely to attract other competitors
- the niche gains certain economies through specialisation
- the niche has size, profit and growth potential.

Niche marketing as a competitive advantage is said to be profitable because despite having a smaller market size, the company gets to know the customer's needs well enough so that the company is better positioned to meet those needs. As a result the company can charge a substantial mark-up over costs because of the added value, and earn higher margins for niche products. This type of strategy mentioned by Kotler in 1989 (as cited by Parish and Cassill, 2004:4) is said to provide an easier defense against potential competitors as opposed to other strategies. Segmented markets are fairly large and normally attract several competitors but niche markets are small and

attract only one or two. It is also pointed out that a niche strategy can be used not only to avoid competition but also for survival. The risks associated with a niche strategy include:

- attack by a competitor who also wants to be part of the profitable niche,
- erosion of the niche due to changes in consumer preferences, and
- the risk of “cannibalisation” – where a company introduces a new product that eats away at one of its own established markets.

However a more narrowly defined niche makes it easier to differentiate a product or service thus avoiding “cannibalisation”.

#### **2.3.2.2. Export strategies**

As a vehicle for survival in business, it has been previously suggested that SMME's become more export focused. During the late 1990's, export strategies were emphasised and many export policies were put into place. However, in the present business environment, export strategies do not appear to be feasible for SMME's for the following reasons:

- the strengthening of the Rand has resulted in companies experiencing a deteriorating export growth,
- SMME's lack the financial resources to export products to other countries.
- the inability of SMME's to meet volume demands that are necessary for exporting of products (Kadwa, 2004:65).

In addition to this, a study of SMME's in Europe by Mulhern in 1995 (as cited by Kadwa, 2004:69) has shown that 99% of firms were SMME's, but it was only the larger manufacturing firms that were more likely to export products to other countries.

## 2.4. Conclusion

Despite having challenges in the business environment such as the importation of low cost imports and the strengthening of the Rand, there are favourable factors which can be explored for future decision making and the formulation of business strategies. These are:

- a stable political climate that favours the growth and development of small business in South Africa,
- a buoyant consumer demand
- changes in consumer tastes and preferences favouring specialised uniquely designed products and brands
- emerging markets such as the growing black middle income group which presents an additional business opportunity.
- access to technology such as the internet which is inexpensive and can aid in marketing a business and establishing a strong brand.

This chapter has reviewed the elements of strategic analysis; namely the constraints and opportunities within the current environment and the importance of resources and competences of SMME's and their effects on the formulation of business strategy. In order for SMME's to survive and insulate themselves from low cost clothing imports, managers can no longer rely on conventional methods of developing business strategies. This chapter also reviewed the various strategic options available to SMME's. The major strategic decisions that need to be made revolve around the product/s and the target market/s. US firms that currently face the same negative effect of clothing imports have employed strategies of specialisation with a focus on niche markets. Other decisions include strategies that are based on

product differentiation as opposed to price-based strategies to combat cheap imports. The following chapter details the research methodology for the study. It focuses on the research design, the sample selection and the methods for data analysis.

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1. Introduction**

The previous chapter provided the supporting literature for the research objectives and highlighted the strategic options available to SMME's in Kwa-Zulu Natal. This chapter describes the research methodology and aims to illustrate the appropriateness of the research design and procedures followed.

### **3.2. Purpose of the study**

As a result of the surge of imported clothing into South Africa, small, medium and micro enterprises (SMME's) have been struggling to survive against competition created by low cost imported clothing. Much emphasis has been placed on SMME's and their contribution towards job creation and economic development. This study focuses on the existing business strategies of SMME's within the clothing manufacturing sector of Kwa-Zulu Natal with the aim of highlighting their current strengths and weaknesses.

### **3.3. The Research design**

The research design details the techniques used to gather and analyse the data, the sampling type that was employed and the manner in which time constraints will be dealt with (Cooper and Schindler, 2001:134).

#### **3.3.1. Type of research**

"Quantitative research is a formal, objective, systematic process in which numerical data are utilised to obtain information about the world" (Burns & Grove cited by Cormack, 1991:140). This study has taken the form of a



quantitative research design as it is associated with objectivity, deduction, generalisability and numbers. Through the use of descriptive statistics, the research is able to identify important information regarding the business strategies of SMME's.

### **3.3.2. Target population**

Research has shown that SMME's within the clothing manufacturing sector are severely affected by the influx of imported clothing in South Africa (Kadwa, 2004:40). The survey targeted SMME owners and managers of clothing factories within Kwa-Zulu Natal as they were perceived to be the decision makers responsible for strategic business decisions. The main selection criteria for the target respondents were as follows:

- **Industry/Sector**

The business had to fall within the manufacturing sector of the clothing industry.

- **Number of employees in the business**

According to the National Small Business Act No 127.27, the business had to have an employee composition of less than two hundred employees to be categorised as a SMME.

- **Business Location**

The business manufacturing operations had to be located within the region of Kwa-Zulu Natal.

The population of SMME's was drawn from a directory of clothing manufacturers which was published by the Industrial Clothing Council in Kwa-Zulu Natal. This list consisted of both large and small manufacturers. Those

that fitted into the category of SMME's were extracted from the list based on the number of employees within the company.

### **3.3.3. Sampling, selection and size**

The total population of SMME's in Kwa-Zulu Natal was three hundred and twenty three (N=323). Due to the poor response rate of clothing manufacturers experienced by past research studies, the researcher was advised that a census is carried out to ensure that a greater response rate is achieved. Therefore no specific sampling method was used.

### **3.3.4. The Research instrument**

The main objective of the study was to gain a deeper understanding into the development of business strategy of SMME's in Kwa-Zulu Natal. A questionnaire was developed as the research instrument to obtain the primary data for the study. This was regarded as the most suitable method of data collection for this study for the following reasons:

- a substantial amount of information could be obtained from a questionnaire.
- the questionnaire was considered the most cost effective method given the geographical dispersion of the population in Kwa-Zulu Natal and the large number of target respondents.

#### **3.3.4.1. Questionnaire construction and design**

The format of the questionnaire was based on the critical elements of strategy development namely strategic analysis and strategic choice. These elements provided a framework for systematic analysis of the questionnaire. In

achieving the objectives of the study the following criteria were taken into account when designing the questionnaire:

- relevance of the questionnaire to the research objectives
- The reliability and capability of the respondents in answering questions accurately.

#### **3.3.4.2. The questionnaire items**

The questions were divided into three sections and aimed to fulfil the objective of the study. The following variables were derived from the research objectives and formed the basis of the questionnaire:

- underlying factors of competitive advantage and competitive strategies of SMME's.
- the strategic decisions made by SMME's in response to the sale of imported clothing.
- sustainability of competitive advantage of SMME's in the present business environment.

The following measurement scales were utilised in the questionnaire to construct the questions:

Nominal Scaling: to obtain categorical, gross information about SMME's

Ordinal scaling: to obtain qualitative differences among categories using rank ordering.

Interval Scaling: to measure the magnitude of differences in various categories using three point and five point Likert scales.

### **3.3.4.3. Reliability and validity**

A pilot study was carried out to ensure the reliability and validity of the research instrument. White (2000: 25) states that reliability is about achieving consistency in research. The questionnaire design ensures that if another researcher had to use a similar design, similar findings would be obtained. White (2000:25) also describes validity as being concerned with the idea that the research design fully addresses the research objectives of the study. To ensure that the intended data was being collected, the questions were designed to fulfil the objectives of the study. The questions were also designed to ensure that the questions were interpreted and answered correctly.

Five subjects were chosen and comprised of authoritative proponents of the clothing industry. It was aimed at highlighting the following:

- the time taken to fill in the questionnaire.
- the clarity of the questions
- ambiguous questions
- ensuring a simple and easy to understand questionnaire
- grammatical correctness
- the ability to achieve consistent results
- the appropriateness of questions in terms of the research objectives

The pilot study resulted in the fine-tuning of the questionnaire and re-phrasing of questions.

### **3.4. The Research process**

#### **3.4.1. Administration of questionnaires**

The questionnaires were administered by the researcher in September 2005. Due to the population being geographically dispersed, the questionnaires were posted to the target population. Questionnaires were also distributed electronically to those respondents who had email access. A covering letter preceded the questionnaires assuring respondents of their confidentiality and provided a motivation for a response.

#### **3.4.2. Collection of questionnaires**

Each questionnaire that was posted contained a pre-paid self-addressed envelope. A six-week return period was allocated. For all outstanding questionnaires, telephonic and email follow-ups were conducted.

#### **3.4.3. Data capturing and processing**

Before the data was captured it had to be edited to ensure precise and systematic coding. This entailed a thorough examination of all returned questionnaires to check that they were filled in accurately and completely. Editing the questionnaires helped detect errors and omissions in the questionnaires and ensured that good data quality standards were achieved. The purpose of editing was to ensure that the data collected was:

- accurate
- consistent with other information
- uniformly entered
- complete and arranged to simplify coding and tabulation (Research methods handbook, 2002: 81)

A coding system of responses and categorisation of variables was used to make sure that data analysis could be carried out efficiently. The questionnaire included both open-ended and close-ended questions. In the case of close-ended questions, pre-coding was done, and in the case of open-ended questions, post-coding was necessary. Although the questionnaire was pre-coded, the coding frame did not appear on the questionnaires that were mailed to the respondents. Open-ended questions were only coded after the questionnaires were received and the responses could be categorised. Content analysis was also used to code open-ended questions and categorisation of responses was based on thematic units. The raw data was thereafter edited and captured manually by the researcher onto a spreadsheet for statistical analysis.

#### **3.4.4. Data analysis and interpretation**

The analysis and interpretation of data will be presented using descriptive statistics. Descriptions will include frequencies, percentages, means and standard deviations.

Data will be distinguished and represented using the following:

- tabular representation
- graphical representation – Bar graphs and pie charts

#### **3.5. Secondary data**

Secondary data was also obtained using the following:

- literature on SMME's and the key issues that characterised the current situation in the clothing industry,

- newspaper articles and business reports that discussed the present economic situation in the country including small business development,
- academic journals,
- government publications
- on-line sourcing using articles from the internet relating to SMME's and
- trade magazine reports on the South African clothing industry.

### **3.6. Conclusion**

This chapter detailed the research design, the target population, the research instrument and the research process. The survey focused on small, medium and micro enterprises in the clothing industry who were affiliated to the Industrial Clothing Council. The survey intended to establish the current business strategies employed by managers and owners of SMME's. The questions used in the questionnaire were specifically designed to determine the existing methods for strategy development. Chapter four follows with an analysis of the different strategies and aims to highlight the strengths and weaknesses of existing strategies currently used by SMME's in Kwa-Zulu Natal. This chapter details the main findings and also includes a graphical representation of the data collected.

## **CHAPTER 4: DATA ANALYSIS AND INTERPRETATION**

### **4.1. Introduction**

Chapter three described the research design and methodology used to acquire the relevant data. It also provided details of the research instrument and explained the activities necessary to conduct the research. Chapter four provides a report and interpretation on the research findings obtained from the questionnaire. A detailed analysis of findings follows and includes a graphic presentation of results.

### **4.2. Evaluation and analysis of results**

#### **4.2.1. Results**

A total of three hundred and twenty three questionnaires were distributed to managers and owners of small clothing manufacturers in Kwa-Zulu Natal. Thirty four questionnaires were returned of which only thirty one could be used for the study. While the response rate was rather low, the homogenous population enabled adequate findings to be drawn. The findings are presented using descriptive statistics. These include frequencies and summations.

### **4.3. Findings**

The questionnaire consisted of three sections; namely A, B and C. Section A comprised of biographical data and was designed to gather factual information that could provide a profile for SMME's and more insight into the factors that can influence the development of their business strategies. These included demographics such as the number of employees, the age of the business, the products manufactured, the markets supplied and whether or not clothing



constituted the core business of SMME's in Kwa-Zulu Natal. Section B set out to establish the underlying factors that influence the competitive advantage of SMME's in the Kwa-Zulu Natal clothing industry. It also aimed to establish the strategic choices made by SMME's as a result of the effect of the sale of imported clothing. Section C set out to establish the broader strategy development directions of SMME's. The findings of both section B and C will be analysed to determine if SMME's can achieve a sustainable competitive advantage. The findings are detailed below.

### 4.3.1. Section A

#### 4.3.1.1. Number of employees

Fig 4-1 below indicates the number of people employed by SMME's in Kwa-Zulu Natal. The number of employees within a company is one of the indicators of the size of a business. As seen below 25% of respondents employ between 26-50 people, 24% employ between 51 and 100 people, 15% between 101 and 150 employees and 21% greater than 150 employees. Those SMME's with a fairly small number of employees can be attributed to downsizing of companies as a result of clothing imports.

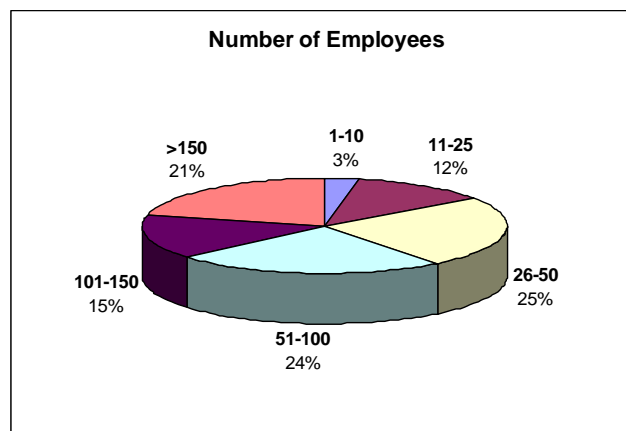


Figure 4-1: The number of employees within SMME's

#### 4.3.1.2. Years in business

The age of a business would provide insight into the business life cycle of companies. Figure 4-2 shows the number of years that the respondents have been in business and indicates that 24% of respondents have been in business for 0 to 5 years, 15% between 6 and 10 years, 43% between 11 and 20 years, 6% between 21 and 30 years and 12% greater than 30 years. The largest percent of respondents have been operational for a period of between 11 and 20 years.

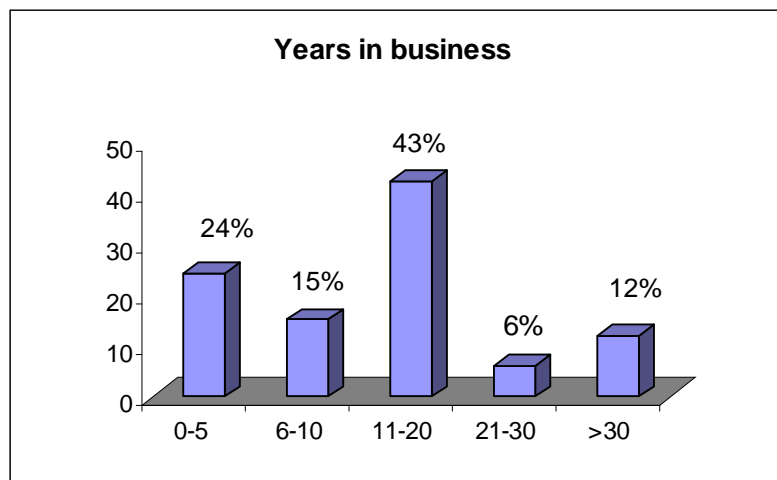


Figure 4-2: The number of years in business

#### 4.3.1.3. Product categories being produced

The survey indicated the percentage split of apparel items that are currently manufactured by SMME's in the clothing industry. The data has shown that the product category that is most commonly manufactured is ladies wear with 32%, menswear is the second most prominent category being produced with a percentage of 26%, girl's wear with 22% and boy's wear with 17%. A further 3% of respondents indicated that their products did not fall within the specified

categories (see Fig. 4-3). Other products being produced included shirt collar supports, punching bags, martial arts wear, and baby wear.

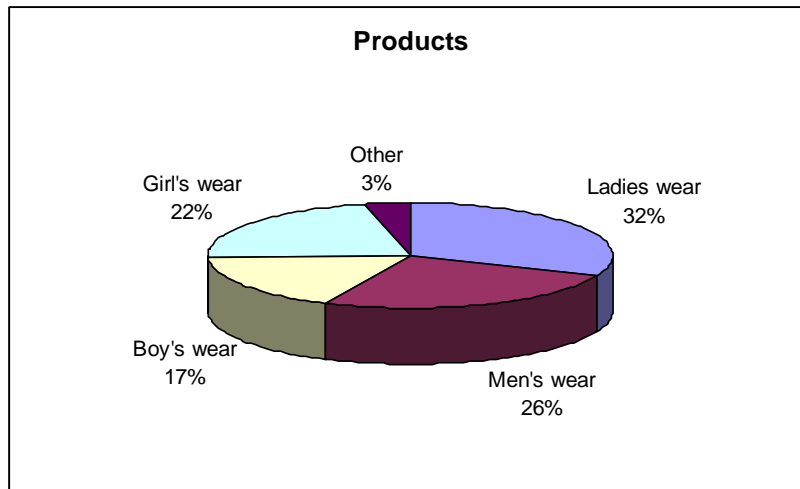


Figure 4-3: Clothing categories being produced

The results have also indicated the number of SMME's that are producing more than one category of apparel (See Fig. 4-4). It was found that 24% percent of SMME's produce only one product category e.g. Ladies wear. Thirty percent of respondents produced more than one type of apparel. Six percent produced three product categories. Forty percent produced four types of apparel. The analysis of percentages clearly indicates that a large number of SMME's are producing a variety of different types and it can be assumed that these are produced for various target markets.

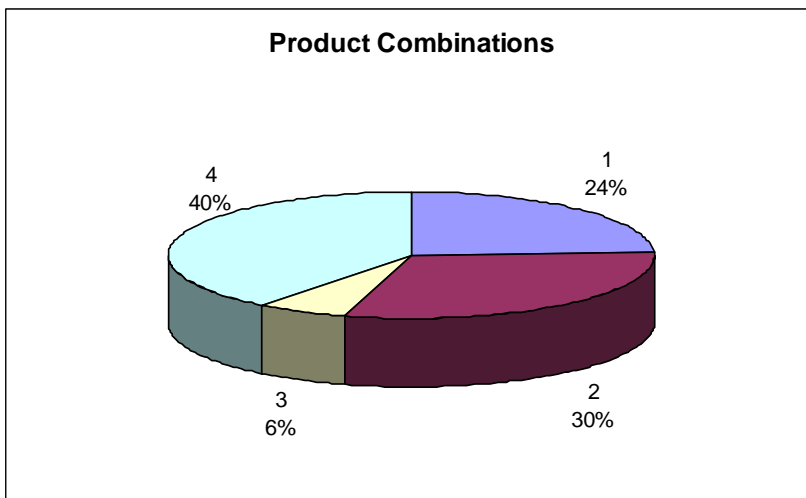


Figure 4-4: Number of SMME's producing a combination of apparel

#### 4.3.1.4. Core business

Respondents were asked to indicate if the manufacture of clothing constituted their core business. The survey has shown that 97% of respondents manufacture clothing as their core business and 3% of respondents showed that their core business is in the wholesale of imported goods and not in manufacturing.

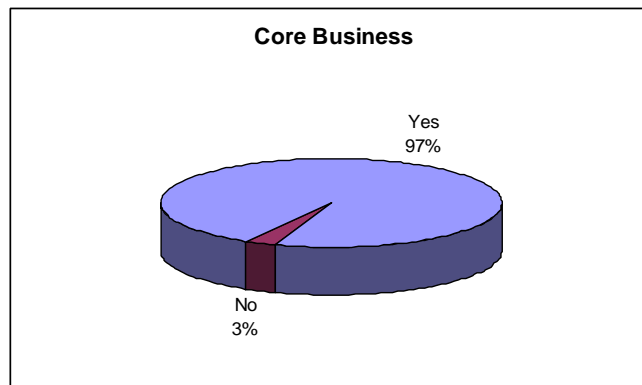


Figure 4-5: The Core business of SMME's in the clothing Industry

#### 4.3.1.5. Markets

To research showed that in the markets supplied by SMME's, respondents specified whether their products were supplied to the local market or whether they were exported. The quantitative data gathered indicated that 94% of respondents supply only the local market and the remaining 6% supply both the local and export markets. None of the respondents rely solely on an export strategy.

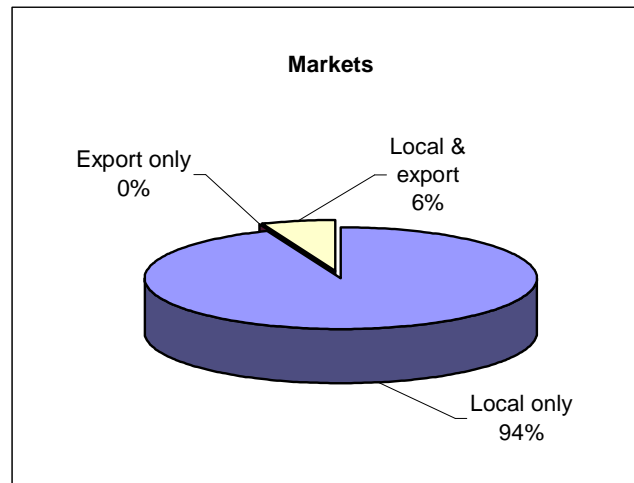


Figure 4-6: Markets supplied by SMME's in the clothing sector

#### 4.3.1.6. Market percentage

As seen above, for those businesses that supply the local market and also export products, the average percentage of exported goods relative to their local supply was 87% local supply and 13% export. It is clear that very few companies are exporting and those that are exporting products still rely on local demand conditions as the greater part of their business strategy.

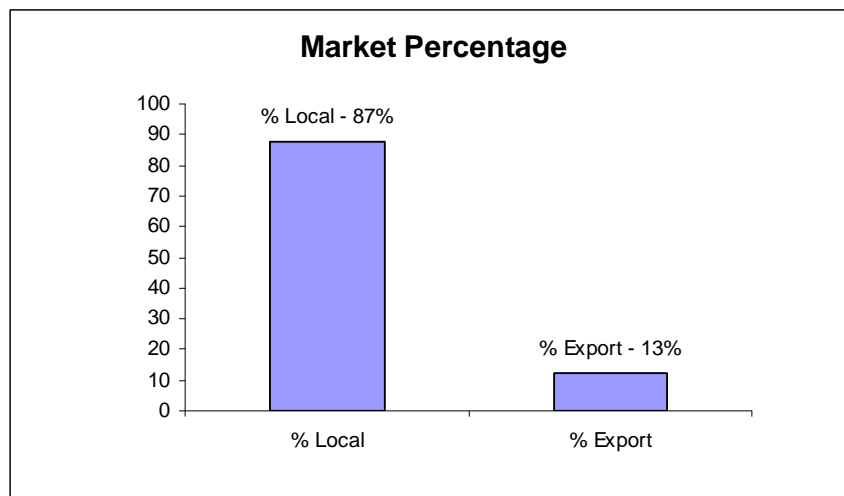


Figure 4-7: Relative average percentages of markets supplied

#### **4.3.2. Section B**

The aim of section B was to establish the underlying factors that influence the competitive advantage of SMME's in the Kwa-Zulu Natal clothing industry. It also aimed to establish the effect of the sale of imported clothing on the strategic choices made by SMME's.

##### **4.3.2.1. Motives underlying strategic decision making**

In order to determine the motives underlying decision making, respondents considered the importance of the following factors when making strategic decisions from most important to least important:

- The environment – the importance of being able to fit new strategies to a changing environment
- Resources – the importance of being able to maximise the resources and competences of an organisation

- Expectations – the importance of being able to meet the expectations created by powerful stakeholders, ethical considerations and culture (Johnson & Scholes, 2002: 362).

These three factors shape strategic choice and help understand the strategic directions pursued by SMME's. The results (see Fig. 4-8) have shown that decision making is firstly influenced by the resources within the business with a figure of 79%. Managers felt that dealing with changes within the business environment is the second most important motive for decision making with a figure of 36%. The least important factor taken into consideration when making decisions is stakeholder expectations. These results show a clear tendency towards decision making being resource-driven with the aim of maximising the resources within the organisation (Johnson & Scholes, 2002:362).

These results favour the resource-based theory of competitive advantage. Grant (1991:116) states that, "In a situation when the environment is in a constant state of flux, when customer preferences are volatile and the identity of customers are always changing, an externally focused orientation may not provide a secure foundation on which long-term strategy can be built". If the business environment such as the clothing industry is in a state of flux then the firm's resources and competences may be a much more stable basis on which the firm should base its strategy. This could imply that more emphasis needs to be given to the resources within small businesses.

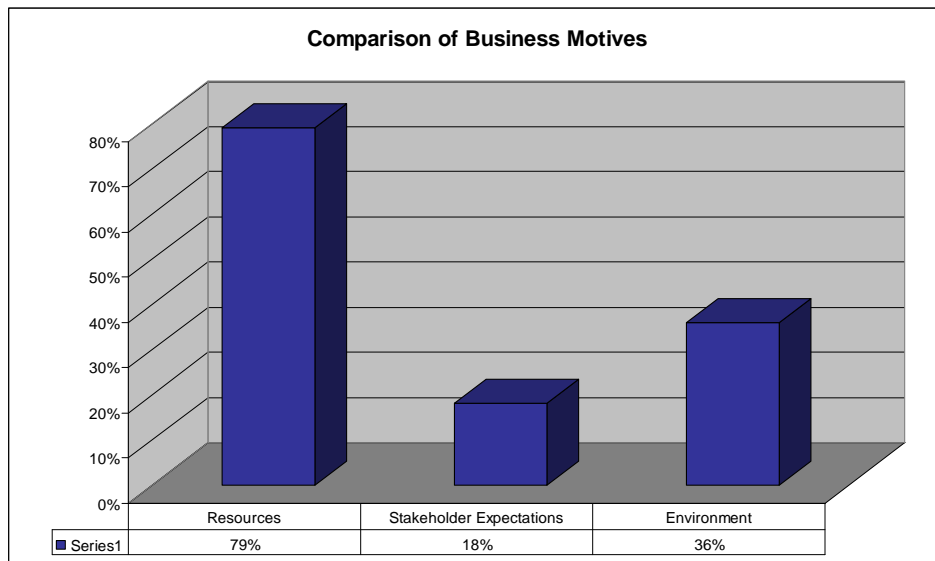


Figure 4-8: Overall ranking of business motives

#### 4.3.2.2. Basis of competitive advantage and strategic capability

Respondents were asked to rank the importance of a list of critical success factors that underpin the competitive advantage of their businesses. These factors covered three important categories namely products, resources and competences.

FACTORS OF COMPETITIVE ADVANTAGE	
PRODUCTS	Uniqueness of product
	Quality of product
	Variety of product
	Product innovation
RESOURCES	Price of product
	Machinery and equipment
	Production capacity
	Knowledge & skills
	Access to financial resources
	Patents, brand reputation
COMPETENCES	Excellence of service delivery
	Production efficiency

Table 4-1: Factors of competitive advantage of SMME's

The average scores of factors of competitive advantage reflect that the most important factor to small businesses lies in its competences. These



competences include: excellence of service delivery and production efficiency (Table 4-1). The second most important factor to SMME's is products. The noticeable characteristics of products include uniqueness, quality, variety and innovation. The least important factor is considered to be the resources of a company. While the competences and products are of extreme importance to any business, the results do indicate a lack of emphasis on the resources within the business. If the main aim of these businesses is to maximise the resources within the business (as seen in Fig. 4-8) then the most important factor of competitive advantage should ideally be the resources within the company.

#### **4.3.2.3. Competitive strategies regarding product offerings**

The respondents were asked to rank the importance of the various competitive strategies according to the following scale - strongly agree, agree, neither, disagree and strongly disagree: which were ranked from 1 to 5 respectively. Table 4-2 consists of a frequency analysis (%) of the competitive strategies available to businesses. The total score ( $\Sigma$ ) for each strategy is shown in Table 4-3 and this indicates the overall importance of each strategy to the respondents. The following sections describe each of these strategies.

COMPETITIVE STRATEGIES		Frequency Analysis (%)				
		Strongly Disagree (1)	Disagree (2)	Neither (3)	Agree (4)	Strongly Agree (5)
A	Low price	3%	24%	30%	21%	21%
B	High price	27%	27%	27%	15%	3%
C	Neither high nor low	15%	6%	36%	39%	3%
D	Lower than competitors	3%	27%	33%	24%	12%
E	Same price as competitors	9%	30%	21%	39%	0%
F	Lower standard than competitors	58%	36%	3%	0%	3%
G	Similar/ same standard than competitors	6%	30%	12%	45%	6%
H	Better standard	0%	0%	36%	39%	24%
I	Unique or different than competitors	0%	12%	52%	27%	9%
J	High value or quality	0%	6%	15%	55%	24%
K	Low value	61%	24%	15%	0%	0%

Table 4-2: Frequency analysis of competitive strategies

COMPETITIVE STRATEGIES		Total Scores ( $\Sigma$ )
A	Low price	110
B	High price	79
C	Neither high nor low	102
D	Lower than competitors	104
E	Same price as competitors	96
F	Lower standard than competitors	51
G	Similar/ same standard than competitors	104
H	Better standard	128
I	Unique or different than competitors	110
J	High value or quality	131
K	Low value	51

Table 4-3: Summation of competitive strategies

### Strategy 1: No frills strategy (A, K)

Johnson and Scholes (2002; 354) describe a “no frills” strategy as one in which products are low in price and the value added by the product is perceived to be low by customers. Of the total number of respondents 42% state that they agree and strongly agree with having a low pricing strategy and 61% respondents strongly disagree with having a low value strategy. As seen in table 4-3, the deviation in figures ( $\Sigma = 110$ ,  $\Sigma = 51$ ) discards the “no frills” strategy as being prominent in the decision making process of SMME’s.

### **Strategy 2: Low price strategy (A, G)**

A low price strategy is characterised as one in which products are low in price but the standard of products maintained is similar to that of competitors (Johnson and Scholes, 2002: 354). Of the total number of respondents 42% agree and strongly agree with a low pricing strategy and 51% of respondents agree with having products that are of a similar or same standard to that of competitors. The strength of these results is verified by the summation values ( $\Sigma = 110$ ,  $\Sigma = 104$ ) which are similar in nature and indicates that a low pricing strategy is pursued by some SMME's.

### **Strategy 3: Differentiation Strategy (I)**

A differentiation strategy is observed where products are unique or different to that of competitors (Johnson and Scholes, 2002: 354). Of the total number of respondents only 36% use a differentiation strategy for products. A large percent (52%) have stated that they neither agree nor disagree with a differentiation strategy.

### **Strategy 4: Hybrid Strategy (I, D)**

The hybrid strategy is known for products being unique or different from those of competitors and also where the prices are lower than that of competitors (Johnson and Scholes, 2002: 354). The results have shown that 33% use a differentiation strategy for products. However 36% of respondents have stated that their product price is lower than that of competitors. The strength of the respondents views towards their strategies is seen in the similarity of summation values ( $\Sigma = 104$ ,  $\Sigma = 110$ ) also indicates that a hybrid strategy is pursued by SMME's.

### **Strategy 5: Focused differentiation Strategy (J, B)**

In a focused differentiation strategy, products are perceived as being of high value and quality and customers pay a premium or high price. The survey shows that 79% of respondents have stated that their products are perceived to be of a high value and high quality however only 18% of respondents agree to having a high pricing strategy. While a large percentage of respondents agree that their products are high in value and quality, only a small number of SMME's use a focused differentiation strategy. This deviation in figures ( $\Sigma=79$ ,  $\Sigma=131$ ) indicates that the focused differentiation strategy is not actively pursued by SMME's.

#### **4.3.3. Section C**

##### **4.3.3.1. Strategy development directions**

In order to determine the course of strategic direction taken, respondents ranked the business decisions that have been made in response to the sale of imported clothing according to the following scale - Never, very little, and regularly: which were ranked from 1 to 3 respectively. Table 4-4 consists of a frequency analysis (%) of the different business decisions available. The total score ( $\Sigma$ ) for each strategy is shown in Table 4-5 and this indicates the overall importance of each business decision to the respondents. Each question was linked to a particular strategic direction on which strategies are usually based (Johnson & Scholes, 2002:363).

BUSINESS DECISIONS		Frequency Analysis (%)		
		Never (1)	Very Little (2)	Regularly (3)
Protect/ Build	Strengthen current position	0%	15%	85%
	Strengthen/ new markets	0%	42%	58%
Product Development	Product development - existing knowledge	6%	27%	67%
	Product development - new knowledge	12%	12%	76%
	Product development - beyond norm	9%	48%	42%
Market Development	New markets - existing knowledge	24%	21%	55%
	New markets - new knowledge	12%	55%	33%
	New markets - beyond norm	12%	64%	24%
Diversification Strategy	Products - different in the same industry	21%	27%	52%
	Products - different industry	58%	27%	15%
Import Strategy	Import products - not manufacture	82%	6%	12%
	Manufacture and import	70%	6%	24%

Table 4-4: Frequency analysis of business decisions

BUSINESS DECISIONS	Total Scores ( $\Sigma$ )
Strengthen current position	94
Strengthen/ new markets	85
Product development - existing knowledge	86
Product development - new knowledge	87
Product development - beyond norm	77
New markets - existing knowledge	76
New markets - new knowledge	73
New markets - beyond norm	70
Products - different in the same industry	76
Products - different industry	52
Import products - not manufacture	43
Manufacture and import	51

Table 4-5: Summation of business decisions

### Strategic direction 1: Protect/ Build

The results have shown that the dominant business decision of respondents has been to consolidate their current position in the industry. A total of 85% of respondents stated that they regularly spend their efforts protecting and strengthening their current position in current markets ( $\Sigma=94$ ). Additionally, as seen in Table 4-4 a significant percentage of respondents (58%) that focus on strengthening their current position in the industry have also focused on strengthening new markets with the aim of increasing market share ( $\Sigma=85$ ).

**Strategic direction 2: Product Development**

As seen in the Table 4-4, 67% of respondents have also focused on product development making use of the existing skills and knowledge within the business. However, 76% of respondents have focused on product development through acquiring new knowledge, skills or resources.

**Strategic direction 3: Market Development**

Only a small percentage of respondents (33%) have pursued a market development strategy where products are offered into new markets using new knowledge and only 24% of respondents have focused on market development by moving beyond current expectations of the industry such as new technology and competences.

**Strategic direction 4: Diversification Strategy**

A significant number of respondents (52%) focus on a diversification strategy in which they produce a different range of products but within the same industry. For example, a ladies wear manufacturer now produces children's wear. A total of 58% of respondents have stated that they never pursue a diversification strategy of products in different industries such as the lifestyle industry.

**Strategic direction 5: Import strategy**

Only 12% of respondents import products as part of their strategy. Only 24% of respondents have answered that they regularly manufacture and import

products. These low figures ( $\Sigma = 43$ ,  $\Sigma = 51$ ) indicate that an import strategy is not well pursued by SMME's in the clothing industry.

#### **4.3.3.2. Question 3.2**

Respondents were asked a follow-up open ended question that would highlight any additional important decisions that were made regarding their strategic choices as a result of the threat of clothing imports. One respondent clearly stated that niche marketing is part of their strategy. This strategy has been successful because companies that have reduced overheads to a minimum and have downsized can still service smaller niche markets.

#### **4.3.3.3. Question 3.3**

The following section reflects the views of SMME's regarding the business decisions that have been made in order to combat the threat of clothing imports. These factors have been crucial to the survival of SMME's in the Industry.

#### ***Comment 1: Adapt to the changing environment***

Respondents feel that to ensure success in business it is important to be able to adapt to the changing environment. This includes the ability to produce all types of apparel that the segments of different target markets may demand. Having a flexible and secure resource-base will ensure that SMME's can meet the demands of a challenging business environment. This may mean having adequate physical and human resources such as skilled employees e.g. A few sewing machines that could be used to produce different types of garments as

well as having multi-skilled staff that can perform a variety of tasks and operations.

***Comment 2: Reduce overheads to a minimum***

Many SMME's have downsized their manufacturing operations as a result of clothing imports. As part of their plan to reduce overheads to a minimum they have had to sell redundant machinery and equipment and also retrench staff. One small business stated that they sold surplus stock in flea markets.

***Comment 3: Production Efficiency***

Respondents also felt that small businesses should be prepared to accept smaller orders and be able to produce goods quickly and also maintain quality standards. Providing shorter lead times over Chinese competitors will give companies a competitive edge. The respondents recommended that companies should be able to provide a quick turnaround time for the production of goods.

***Comment 4: Upgrading of skills of workforce***

It was also mentioned that the skills within the workforce should be improved to ensure business success. As downsizing and the reduction of overheads is the trend, a small business would rather have a few highly skilled people who are multi-skilled to allow greater adaptability if there are changes in the business environment. Focusing on upgrading skills together with maintenance of efficient production capacities can enable success in business.



***Comment 5: Promote local brands and focus on adding value***

Respondents stated that one of the ways to business success in South Africa is by promoting brand loyalty amongst customers. This can be done through initiatives such as “Proudly South African”. The respondents also recommended that SMME’s concentrate on adding value over the Chinese standard of goods without a concomitant price increase. Value can be added thorough providing a unique product and also by ensuring good, consistent quality products and services. Value can also be added by providing personal attention to customers.

## **CHAPTER 5: CONCLUSION AND RECOMMENDATIONS**

### **5.1. Introduction**

Globalisation has caused changes in the business environment which altered the scope of decision making for managers and owners of SMME's. The study focused on these critical business decisions that SMME's need to make in order to protect their businesses against low cost clothing imports. This chapter compares the actual strategic choices made by SMME's, as outlined in chapter four, to the possible strategic choices available to businesses. In order to fulfil the objectives of the study a survey was conducted using a questionnaire among SMME's in Kwa-Zulu Natal. The study has revealed interesting findings regarding business strategy amongst SMME's.

The objectives of the study were as follows:

- To establish the underlying factors that influence the competitive advantage of SMME's in the Kwa-Zulu Natal clothing industry.
- To establish the effect of the sale of imported clothing on the strategic choices made by SMME's.
- To analyse various strategies currently practiced to determine if SMME's can achieve a sustainable competitive advantage.

### **5.2. The underlying factors of competitive advantage of SMME's**

In order to establish the underlying factors of competitive advantage, SMME's were asked to indicate the factors that most provided them with a competitive advantage. The most important factor to small businesses lies in its competences which include excellence of service delivery and production efficiency. The second most important factors are the uniqueness, quality,

variety and innovation of products. The least important factor of competitive advantage is considered to be the resources within a company. These resources include: the machinery and equipment, production capacity, knowledge and skills of employees and patents and brand reputation. These results indicate a lack of emphasis on the resource-base within small businesses. Johnson and Scholes (2002, 354) state that it is important for managers to recognise the role of organisational capabilities in terms of the bases on which competitive strategy and advantage may be built.

A common perception is that a firm's resource base is comprised of only machinery and equipment. This however is only a fragmented picture of a firm's true resource base. While machinery and equipment are essential to a company, there are also those intangible resources such as people-based skills which are often underestimated. This is probably the most strategically important resource. Research has also shown direct links between resources and profitability (Grant, 2001:119). It may therefore be necessary for more focus to be given to the upgrading of knowledge and skills of employees and protecting patents and brand reputation. Grant's research (2001: 119) has also shown that when an environment is in a state of turmoil, the resources within a business become more of a stable factor on which to base its competitive advantage.

Respondents have also indicated that the main aim of decision making is to maximise the resources within the business. Furthermore, it is imperative that emphasis is placed on maintaining and upgrading the resource-base of the

company so that a strategy that seeks to maximise the resources within the business can be fully supported.

### **5.3. The effect of imported clothing on strategic choices**

The research aimed to highlight the broader strategic direction and specific strategic choices that have been made as a result of the surge of imported clothing into the local market. As a consequence of turmoil within the clothing industry a number of trends were noticed regarding the products being manufactured, the markets that are being supplied and the strategic choices made by SMME's.

#### **5.3.1. Broad strategic development direction**

Due to conditions in the business environment, SMME's have spent their efforts on strengthening and building on the current position in the industry through a strategy of consolidation. This strategy has enabled their survival to date. It has entailed adapting the organisation's resources and competences as well as downsizing of some resources and activities to remain competitive. There appears to be a stronger emphasis on product development rather than seeking new markets. Small businesses have focused on the development of products by acquiring new knowledge, skills or expertise. A significant number of respondents also focus on a diversification strategy where different items of apparel are produced for the clothing industry. None of the respondents have indicated that they have diversified into other related or unrelated industries. Very few companies are importing and very few have focused on export strategies. Of those that do export the percentage of goods being exported is

comparatively smaller than the volume of goods being manufactured for the domestic market.

### **5.3.2. Product decisions**

The results have shown that the manufacture of apparel is still the core business of SMME's. It is clear that SMME's are still producing goods within the same industry as this is where their strengths lie. None of the respondents indicated that they have diversified by producing goods for either related or unrelated industries. Only 3% of respondents have recently become involved in the wholesale of imported goods. The other 97% of respondents are still producing clothing for the local industry. It is also clear that most of these SMME's produce a variety of different apparel ranges for different target groups and they produce not just a single product range for a single target group. For example, 40% of respondents produce a combination of ladies wear, menswear, girls wear and boys wear. Being able to produce a variety of different ranges of goods appears to be one of the strengths of SMME's. In addition, few companies appear to be servicing niche markets.

### **5.3.3. Market decisions**

The results have shown that SMME's still rely on local demand as a large percentage (94%) of respondents supply only the local market with products. The remaining 6% supply both the local and export markets. This clearly shows that very few SMME's pursue export strategies. Those few companies that export goods also showed that only a small component of goods is really being exported and the majority of their business is still driven by local demand.

#### **5.3.4. Strategic choices**

Having been through a number of different strategic options available to SMME's, the following results were evident. The results have shown that the two most dominant strategies being pursued are the low pricing strategy and the hybrid strategy. It is surprising to find that SMME's still practise a low pricing strategy. The fact that SMME's are competing on the basis of price may be the main reason why they have come into difficulty when dealing with the competition created by low cost imported clothing. Johnson and Scholes (2002:322) state that a low cost advantage does not remain a basis for competitive advantage if competitors are also able to achieve low cost. While a low cost strategy may appear to be sufficient for survival at present, achieving a sustainable competitive advantage in the long run may become a huge challenge for SMME's. Such a strategy may be difficult to sustain due to high fabric costs or other limiting factors in the clothing industry. Additionally, businesses pursuing a low pricing strategy usually rely on bulk purchasing to bring down the cost of products. Bulk purchasing may not be possible for SMME's as a lack of finance is usually an issue. Additionally, the formation of linkages with other companies in order to take advantage of bulk purchasing has also proved to be futile as a result of a lack of trust amongst SMME's.

Since most firms have adopted low pricing strategies in the industry, an additional route may be necessary for SMME's. An alternative strategic choice may be to gain a competitive advantage over low priced competitors by providing faster responsiveness to fashion trends and quicker lead times than those offered by manufacturers from Asia. Firms that pursue a low pricing strategy have also indicated that the goods that they produce are of the same

or similar standard to that of competitors. While imported goods were at one time considered to be unique and of high quality, this is not the case at present. Imported goods that have flooded the market and are in most cases of poor quality. SMME's can gain a competitive advantage by producing items of good quality and unique South African brands. While pricing of goods is always an important factor, SMME's may have to consider strategies that are based on product differentiation and establishing strong brands.

Results have also highlighted the hybrid strategy as being a prominent strategy used by SMME's. This strategy simultaneously achieves product differentiation at a cost lower than that of competitors (Johnson and Scholes, 2002: 384). The research favours the hybrid strategy as opposed to the low pricing strategy as it is not attempting to compete solely on the basis of price. The hybrid strategy seeks to find unique product attributes on which to compete. In the hybrid strategy however, the cost base of goods also needs to be low enough to allow for re-investment to support and maintain products that are differentiated. As suggested by the low cost strategy, being able to sustain a low cost base may prove to be difficult in the long run. A differentiation strategy can be further enhanced through good quality, advertising so that SMME's can create a unique image. This strategy can also be an advantage if greater volumes are achieved and margins are still kept attractive due to a low cost base. This may also be a challenge as it is impossible to compete against the volumes of goods imported from Asia. According to Johnson and Scholes (2002: 336), to managers, differentiation very often means "being different". However it may be pointless being "different" if others can imitate easily. The challenging for SMME's lies in developing new garment

technologies that are not easily imitated. For example, one may develop a specific fabric construction technique that is too difficult for competitors to comprehend and imitate.

#### **5.4. Recommendations**

The following recommendations are made after a careful analysis of the information that has been obtained from this research. SMME's should focus on moving more towards specialisation and servicing niche markets as they are in need of a strategy that would ensure survival and growth. A niche marketing strategy is said to be beneficial as it provides an easier defense against potential competitors (as cited by Cassil and Parrish, 2004: 4). Additionally, it can be used not only to avoid competition but also to ensure survival. This strategy is also said to be able to penetrate large markets or existing segments for future growth.

Based on the survey from successful SMME's, it is recommended that SMME's in the clothing industry learn to adapt to the fast changing environment. This includes the ability to produce all types of apparel as the different target markets may demand. Having a flexible and secure resource-base will ensure that SMME's can meet the demands of a challenging business environment. This may mean having adequate physical and human resources such as skilled employees. It is also recommended that the skills within the workforce be improved to ensure business success. As downsizing and the reduction of overheads is the trend, a small business would rather have a few highly skilled people who are multi-skilled to allow greater adaptability if there are changes in the business environment. Focusing on



upgrading skills together with maintenance of efficient production capacities can enable success in business.

SMME's should consider downsizing their manufacturing operations if they have not done so already. As part of their plan to reduce overheads to a minimum they can sell any additional machinery and equipment and also consider the elimination of redundancy. By reducing overheads to a minimum this can ensure that the resources within the business are maximised.

It is recommended that SMME's should accept minimum quantity orders, which can also provide fast responsiveness and quick turnaround time for the production of goods. In order for companies to gain a competitive advantage over Chinese competitors they should provide shorter lead times, better responsiveness and follow-up service more efficiently.

It is also recommended that SMME's concentrate on adding value by improving quality that supersedes the Chinese standard of goods without a concomitant price increase. Value can be added thorough providing a unique product and also by ensuring good, consistent quality products and services. Value can also be added by providing personal attention to customers.

### **5.5. Limitations of the study**

Johnson and Scholes (2002: 384) provide a set of criteria for evaluating the success of strategies. These include the suitability, acceptability and feasibility of strategy. This study focused primarily on assessing the suitability of strategy in a broad context and looked at whether or not the strategies of

SMME's address the trends and circumstances within the business environment. The study also showed why some strategies are unsuitable when compared with others. The study does not however assess the success of strategy in terms of the acceptability and feasibility. Acceptability deals with the expected performance outcomes of a strategy and the extent to which they are in line with expectations such as risk and return. Feasibility deals with whether or not the strategy works in practise and whether or not a company has the actual resources to deliver on the strategy (Johnson and Scholes, 2002: 384).

#### **5.6. Recommendations for further research**

It is further recommended that future research on the development of business strategy of SMME's focuses on the acceptability and feasibility of strategy using a more specific approach. This would be best achieved through the use of case studies and personal interviews. More research would be required to investigate issues and arguments that have materialised from this study. While the research was also limited to SMME's in Kwa-Zulu Natal further research could include SMME's in other provinces in South Africa.

Research is also needed to investigate niche marketing strategies within small businesses and how such strategies can be successfully implemented and maintained in the current clothing industry in South Africa.

## **5.7. Conclusion**

Despite the challenging circumstances facing SMME's in South Africa, some SMME's have been resilient and have found ways to survive in business. SMME's have focused on strengthening their current position in the industry using the best of their resources. Despite the recent introduction of the quota system for clothing imports which comes onto effect in January 2007, the importation of clothing will always remain a competitive factor in the clothing industry. In order to remain competitive in the long run, SMME's need to re-visit the development of their business strategies so that they too can play a vital role in the country's economic growth and development and compete in the global market place.

## BIBLIOGRAPHY

Aktuglu, Z. 2001. A Detailed study of calculating the cost of a collection. Journal of Fashion Marketing and Management, **5(2):152**

Altman, M. 1994. An Industrial Strategy for the Clothing Sector. UCT Press: Cape Town.

Bain, J. 2005. Big guns in firing line over prices. Sunday Times. 30 January, p. 5.

Barnes, J. 2005. A Strategic Assessment of the South African Clothing Sector. The National Economic Development and Labour Council. July

Campbell, D., Hamill, J., Purdie, T and Stonehouse, G. 2000. Global and Transnational Business -Strategy and Management. England: Wiley.

Chapman, C. 1995. Small Business Successes: Getting It Right – The second time round. Enterprise networking for Africa's Entrepreneurs and Leaders, **84:88**

Claasens, H. 2005. Economic Impacts of the MFA Phase out on South African Textiles and Clothing Manufacturers. Textiles Unlimited, January, p. 9.

Cooper, D.R, and Schindler, P.S. 2001. Business Research Methods – 7<sup>th</sup> Edition. Singapore: McGraw Hill.

Davies, T.A. 2001. Enhancing competitiveness in the manufacturing sector: key opportunities provided by inter-firm clustering. Degree Project.

Dickerson, K.G, and Jarnow. J. 1997. Inside the Fashion Business – 6<sup>th</sup> Edition. USA: Prentice Hall.

Finance 24. 2006. SA blacks fuel consumer boom. Available from <http://www.fin24.co.za>. [Accessed 17 April 2006]

Grant, R. M. 2001. The Resource-Based Theory of Competitive Advantage: Implications for Strategy. California Management Review. Spring 1991 pp 115-135

Herr, R. 2005. The Reasons for the Demise of the Clothing Manufacturing Sector in South Africa: A contemporary study. M.A thesis, University of Kwa-Zulu Natal, Durban.

Hill, C.W.L. 2003. International Business- Competing in the Global Marketplace – 4<sup>th</sup> Edition. New York : McGraw Hill.

Harrison, K. and Dunne, N. 1998. Kwa-Zulu Natal's clothing industry: The importance of firm-level and pipeline competitiveness issues. Research Report No. 14. Centre for Social and Development Studies. University of Natal, Durban: 1-46

Inggs, M. 2005. DTI dithers while textile jobs disappear. Sunday Tribune Business Report. 23 January p.1.

Johnson, G. and Scholes, K. 2002. Exploring Corporate Strategy: Text and cases – 6<sup>th</sup> Edition. England: Pearson Education Limited.

Kadwa, F. 1998. The Effect of Textile and Clothing Imports on the S.A Clothing Industry – The Future of Exports. National Higher Diploma: Clothing Design, Technikon Natal, Durban.

Kadwa, F. 2004. Factors concerning small, medium and micro enterprise (SMME) development in the clothing sector in Kwa Zulu-Natal. M.A thesis: Fashion Design, Tshwane University of Technology, Pretoria.

Kaplinsky, R and Manning, C. 1998. Concentration, competition policy and the role of small and medium-sized enterprises in South Africa's industrial development. The Journal of development Studies, 35(1): 139-161

Kipling, J. 2005. Strategy needed in a globalised apparel sector. Business Report. Cape Times. p1

Kotler, P. 2000. Marketing Management: The Millennium Edition. USA: Prentice Hall.

Lawson, J. 2005. Competing with China – A case study from the Cape Peninsula University of Technology. Pursuit Magazine, (1): 32-35

Lehohla, P. 2002. The contribution of small and micro enterprises to the economy of the country: A survey of non-VAT registered businesses in South Africa. Pretoria: Statistics South Africa.

Mohr, P. and Fourie, L. 1998. Economics for South African students. Pretoria: J.L. Van Schaik Publishers

Netshitomboni, N. 1996. The Evolution of the Clothing Industry with specific reference to Greater Durban. M.A. Thesis, University of Natal, Durban.

Parrish, E.D. and Cassill, N.L., 2004. Modelling of Niche Market Behaviour of US Textile and Apparel Firms. Journal of Textile and Apparel Technology and Management. 4(2): 1-14

Research methods handbook. 2002. Research Methods: Regent Business School.

Robertson, F. 2005. Has the last 10 years taught us anything in the Clothing Industry? Textiles Unlimited, January, p.9.

Schiller, B.R. 2000. The Economy Today –8<sup>th</sup> Edition. USA: McGraw Hill

Sekaran, U. 1992. Research Methods for Business: A Skill-Building Approach. 2<sup>nd</sup> Edition. New York: John Wiley.

Steenkamp, L. 2005. Cheap Imports – Textiles are China's curtain raiser. Cape Times Business Report. 2 June p.16.

South Africa. Department of Trade and Industry. 2005. The state of South Africa's Real Economy 2005 [online] Available from: <http://www.dti.gov.za>. [Accessed 17 March 2005].

South Africa. Department of Trade and Industry. 2005. South Africa: Geared for Growth. [online] Available from: <http://www.dti.gov.za>. [Accessed 20 March 2006].

South Africa. Department of Trade and Industry. 2005. Submission to the Portfolio committee on Trade and Industry: Clothing, Textile and footwear Sector. [online] Available from: <http://www.dti.gov.za>. [Accessed 20 March 2006].

South Africa. 1996. National Small Business Act (No 102 of 1996). Government Gazette. 1901: 27 November.

South Africa info. 2004. Black middle class on the rise. Available from <http://www.southafrica.info>. [Accessed 17 April 2006]

Thoburn, J. and Roberts, S. 2002. Globalisation and the South African Textiles industry. Revised version of paper presented at Trade and Industrial policy Strategies Workshop. Johannesburg, June 2002.



Van Laar, C.E. 2001. Horizontal Linkages: its impact on the competitiveness of small manufacturers in the clothing industry in Port Elizabeth. MTech, Degree Project.

Vitzthum,C. 2001. "Just-in-time Fashion". The Wall Street Journal. 18 May.

White, B. 2000. Dissertation Skills for Business and Management Students. Great Britain: Continuum London.

Wong, E. and Taylor, G. 2000. An Investigation of ethical sourcing practises Levi Strauss and Co. Journal of Fashion Marketing and Management. 4(1):78-79