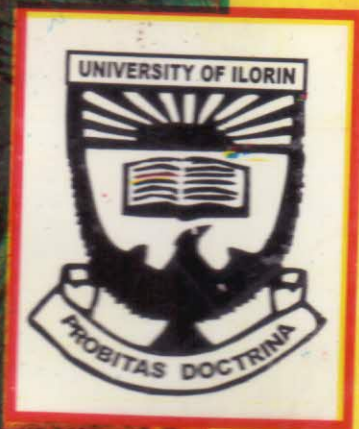




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ASSESSING THE EFFECT OF ENVIRONMENTAL FACTORS ON THE PERFORMANCE OF DEPRESSED TEXTILE MANUFACTURING FIRMS IN KADUNA STATE.

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Abstract

Manufacturing firms in Nigeria are operating in a harsh operating business environment and this makes their activities vulnerable to changes in the operating environment. The aim of this study is examines the effect of environmental factors on the performances of the depressed textile manufacturing firms in Kaduna state using two depressed textile manufacturing firms in Kaduna State as case study. Data were collected through the primary and secondary sources. The primary data was collected using a structured questionnaire that was administered on 112 respondents who were selected through simple random sampling. The data were analyzed using mean ranking of the internal and external environmental factors. The main finding of the study reveals that the external environmental factors were the major and most significant factors influencing the firms' performances. These external factors include Technology and political factors which have given rise to globalization and trade liberalization and as such have hindered economic and industrial growth. The study concludes that the factors outside the control of the firms are influential on their operations than those within their control. The study recommends that enabling environment should be created by the government to enable to the industries thrive especially the textile industry.

Keywords: Environmental Factors, Performance, Textile Manufacturing Firms

Introduction

The issue of environment in the overall performance and continued existence of the textile companies has drawn a lot of attention within and outside the textile industry. The environment in which the textile companies operate leaves much to be desired. United Nations Industrial Development Organization (UNIDO) (2000) observed that there are technological gaps in the industry as illustrated by the fact that 12 mills, representing 61 percent of the total capacity, spin only cotton. Although nearly 25 percent of existing mills are integrated mills, modernization of entire system is generally lagging behind technological advancement of textile industry of Asian nations. Also Oshiomhole (2002) observed that Federal Government has capacity to save textile firms but laments that government policy has a lot to do with the state of the industries. He stated that there are more smuggled textile materials into the Nigerian markets across the country like Lagos, Kano, Aba and Abuja than the locally made ones. Olari (2007) lent his support when he observed that increased global competition as a result of Nigeria's signing the World Trade Organization (WTO) agreement in 1995, the frequent dumping and smuggling of fabrics into the markets, the shortage and high cost of low pour oil (or black oil) and high interest rates have created poor market situations and eroding employment capabilities and further reducing the capacity utilization.

Similarly, Olanrewaju (2002) opined that one would be tempted to put the blame squarely at the feet of the government because virtually all the listed problems fall within the purview of government responsibilities toward industrial development. Some of which he identified as import license introduction, increase in foreign exchange rate, neglect of agricultural activities, shortage of cotton. All these are environmental problems. However, these aforesaid problems so far identified in the textile firms are mere statements which have not been empirically observed. As a result, this situation needs urgent attention so as to save the textile firms from total collapse.

This notwithstanding, business organizations in general and textile manufacturing firms in particular does not exist in vacuum. They exist within an environment and depend on their environment both in sourcing resources and in disposing off their goods and services. According to Imaga (2003) business environments are the sum of all the factors, which are constantly changing but are either within (internal environment) or outside (external environment) the control or manipulations of management of an enterprise. For organizations like textile manufacturing firms to be successful overtime, they must be in tune with their external environment (Anugwom, 2005). The extent to which the textile manufacturing firms have taken the issues of environment is a question that is begging to be answered. This is why Aliyu (2001) argued that managers in textile firms must analyze and diagnose the environment to determine factors that pose threats to the company's strategies and objectives as well as to determine factors

that present opportunities to the firm if only to survive and prosper.

The environment in which the textile companies are operating is supposed to be conducive for optimum performance. Unfortunately, it is not clear whether this environment is conducive because several textile companies are facing problems or have collapsed entirely due to factors associated with the environment. Balogun (2002) pointed out that the crises in the textile sector are government's problem for it is the responsibility of government, not only to create jobs, but also to create a conducive environment for business to flourish. Also Gyang (2002) observed that the insistence on foreign textile by members of the society for whatever reason has killed the demand for our textile and invariably reduced the capacity to employ by the textile manufacturing firms at home.

In spite of all these, there appears to be paucity of empirical studies that have examined the extent of the effect of environmental factors on the performance of depressed textile manufacturing firms operating in Kaduna state and the interest of this study stem from this because of importance of these ailing industry to Kaduna state in particular and Nigeria in general. Hence, this study investigates how environmental factors affect the performances* of the depressed textile manufacturing firms operating in Kaduna state. Specifically, this paper sought to address the following questions.

How do internal environmental factors affect the performances of the depressed textile manufacturing firms Kaduna state?

How do external environmental factors affect the performances of the depressed textile manufacturing firms in Kaduna state?

The general objective of the study is to investigate the extent to which environmental factors affect the performances of the depressed textile manufacturing firms operating in Kaduna state. The specific objectives of the paper are as follows;

- a. To examine the effect of internal environmental factors on the performances of The depressed textile manufacturing firms in Kaduna state
- b. To examine the effect of external environmental factors on the performances of The depressed textile manufacturing firms in Kaduna state.

The second section of this paper presents theoretical consideration of the study. Section three deals with the methodology used while the fourth section presents and discusses the results. The conclusion and recommendations are contained in the last section.

Theoretical Consideration

A business organization and its environment are in mutually inter-dependent-interaction with one another. According to Imaga (2003) environment is the supra-system of the business organization which is a small sub-unit of a

system. A business organization exists in the world of resources, opportunities, and limits. It can survive and thrive only when the environment desires its output of goods and services and is prepared to approve and endorse its activities. He went further to state that an organization does not exist in a vacuum. It exists within an environment and is ever-changing which provides resources and lays down limits on its activities. An organization can only survive and grow when it continuously adapts and responds in time to its environment.

The business environment can be categorized into two; the internal environments and the external environment.

1. The Internal Environment

Businesses are created for the purpose of producing products and/or services for customers at a profit. The organization's internal environment includes the factors that affect the firm's performance from within its boundaries. Ilesanmi (2000) opined that these should be the sole preoccupation of managers at all levels if the organization is to accomplish its set out objectives. Anugwon (2005) on his part has seen the internal environment as controllable environmental factors that are internal to the enterprise. He further stated that they are those strengths and weaknesses within the organization itself which can be controlled in the long-run. The internal environmental factors include; Management, mission, objectives, and resources. The enterprise can always manipulate, control and manage these factors to the optimum benefits of the enterprise. Let us look at the above mentioned factors separately.

- a. **Management:** Managers are responsible for the performance of the business. Managers perform the functions of planning, staffing, leading and controlling. The leadership style and the decision made by managers affect the performance of the business. Because managers have such an impact on the success of the business, they need to be selected carefully according to Corman and Lussier (1996).
- b. **Mission:** The business mission is the motivating force that moves, guides, and transports the firm to where it wants to go (Reyes and Brian, 1990). A clear sense of mission is the most important factor in strategic planning (Rye 1990). The mission affects manager's jobs and the structure of the organization. The mission should always be developed based on the environmental analysis. The mission states the business purpose or reason for being. The mission specifies the nature of the business in the areas of products, target customer, competitive advantage and philosophy. The mission should identify the present and future products to be offered. The mission should also identify the specific target customers. According to Kotler (2001) target customers are the segmented group of potential buyers of the firm's products. It is always helpful to specify where these target customers are. Corman and Lussier (1996) stated that the competitive advantage specifies how the business competes for customers.

These questions need to be answered. Why should target customers buy your product rather than the competitor's? What unique advantage does the company have to offer customers? The competitive advantage is determined based on the environmental analysis. They concluded that price, service and quality are common competitive advantages. According to Ackoff (1987) and Hay (1990), the mission should be relevant to all stakeholders. Some of these stakeholders include employees, stockholders, customers, suppliers, governments, and the public.

- c. **Objectives:** Objectives state what is to be accomplished within a given period of time. Weihrich and Koontz (1988) defined objectives as the important ends toward which organizational and individual activities are directed. Objectives state end results, and overall objectives need to be supported by sub-objectives. Although there is no complete agreement on what the key result areas of a business should be and they may differ for various enterprises. However weihrich and Koontz (1988) suggested the following: market standing, innovation, productivity, physical and financial resources, profitability, manager performance and development, worker performance and attitude and public responsibility. More recently, two other key result areas have become of strategic importance: service and quality.
- d. **Resources:** Resources are the essential aspects of every organization. It is the pivot on which the organization hinges (Aliyu, 2003). It is very important to determine the resources needed, the cost, where to get them and how to pay for them. Morris (1992) had identified five major resources the organization can use to achieve its missions and objectives: Human, physical, intangible, financial and marketing.

Human: These are human resources of a productive organization. This is the most important of organizations resources, which the enterprise might have acquired through proper manpower planning, recruitment, management training and development. People are responsible for achieving the organizations objectives.

Physical: people use land, building, machines, and equipment and so on to achieve organization's objectives.

Intangible: Reputation, laws, trademarks, tariffs, quotas and duties can be used to enable business to achieve its objectives.

Financial: Organizations need cash and credit to operate. Physical and intangible resources are obtained through financing.

Marketing: This includes marketing competence of the organization. The effective management team uses its combined resources in a systematic way that leads to the attainment of its objectives.

- 2. **The External Environment:** According to Anugwom (2005) an organization

must be in tune with its external environment to be successful overtime. There must be a strategic fit between what the environment wants and what the company has to offer as well as between what the company needs and what the environment can provide.

Environmental uncertainty is a threat to strategic managers because it hampers their ability to develop long-range plans and to make strategic decisions to keep the company in equilibrium with its external environment. Environmental uncertainty refers to the combination of the degree of complexity and the degree of change in the organization's external environment.

The organization's external environment includes the factors that affect the business performance from outside its boundaries (Corman and Lussier (1996). Unlike the internal environment, managers have no control over what happens outside the business; yet these factors can make the difference between the firm's success and failure. This is why the internal factors should be based on the external factors. Three studies supported this claim. The first study compared successful and failed firms. Results revealed that successful firms pay equal attention to the internal and external environments. Firms that failed tend to ignore the external environment (D'Aveni and Macmillan, 1990). The second study focused on the need to balance the internal and external environment (Harrison, 1989). The third study revealed that small business owners/managers are more concerned with and spend more time gathering information from the external environment than large companies (Piercy and Giles (1989). Imaga (2003) agreed with the first study that every business organization must be aware of environmental elements. A healthy enterprise realistically deals with them. It adapts responds and helps to shape, if possible its own environment. Imaga (2003), Kotler (2001) Ilesanmi (2000) and Stoner, Freeman and Gilbert (2002) grouped these external environmental factors that influence the business organization into four. These are social, economic, political and technological.

However, with increased industrialization and consequent pollution, the fifth factor which is ecological environmental factors need to be included according to Aliyu, (2001). But in all these directions, change is taking place at varying rates- most rapidly in technology and less rapidly in politics. Change is an unavoidable factor in the environment of modern business organizations and tomorrow always arrives and is always different. The identified external environmental factors or forces are examined below;

Technological Environmental Factors

The rate of technological change will continue to increase. Often technological change means innovation, which could be creative or adaptive. Innovation in the areas of production techniques, marketing techniques and manpower etc. change in technology create threats and opportunities for

businesses. (Corman and Lussier, 1996).

Economic Environment

The economic factors in the environment affect business in various ways. In most cases company's decline or prosperity usually follows the state of the nation's economy in its economic cycle. Therefore careful study should be made of the economy so as to discover the threats and opportunities in the economic environment. When these are discovered, a business organization should know how to adequately manage its weakness, utilize its strengths to suppress her threats and strike at opportunities and dominate her economic environment for profit, growth and stability (Corman and Lussier, 1996). Unamka and Ewurum (1995) summed up the economic factors to include inflationary or deflationary trend in prices of goods and services, monetary policies, interest rates and devaluation or revaluation of the domestic currency relative to foreign currencies, fiscal policies like tax rates, and balance of payment surplus or deficits. They assert that each of these segments of the economy can assist or hinder the achievement of an enterprise's objectives and the success or failure of the enterprise.

Social Environmental Factors

These include changes in social attitude and tradition, taste, fashion and belief etc. In a situation of this nature, management must plan to change goals overtime and start to produce up to dates goods that will attract and retain customers or else it will be out of business for producing obsolete products (Aliyu, 2001).

Legal and Political Environment

Federal, State and Local governments do make laws and regulations that businesses must obey. These rules and regulations create both opportunities and threats for business. Anugwon (2003) observed that if government policies have a direct effect on both the economy and business organization. Policy inconsistency in the economy is a problem in Nigeria today. The government is always changing its policies both fiscal and monetary regulations with each change in government. This has serious negative impact on the performance of business organization and the economy in general. Support this line of reason Aluko, Akinola and Fatokun (2004) succinctly observed that Nigerian manufacturing sector was characterized by lack of an enabling environment which include; instability in policies, poor macro-economic environment, bureaucratic bottlenecks, poor legal environment which could not guarantee property right and safety, corruption, low commitment of past governments to industrial development, poor and inadequate infrastructure, policy errors of the past, poor implementation of incentives to manufacturing including export incentives, prevalence of obsolete technology, inadequate domestic demand

and inefficient institutional framework.

Methodology

This study is a survey research which investigates the effect of environmental factors on the performance of depressed manufacturing firms in Kaduna state. National Union of Textile, Garment and Tailoring Workers of Nigeria in a report in 2008 indicated that 21 textile manufacturing firms are depressed and out these firms five of them are located in Kaduna state. Hence, the five depressed manufacturing firms in Kaduna state and their staff constitutes the population of this study. The study selected two out these five textile manufacturing firms to study for convenience purpose and simple random sampling was used in the selection of the two firms. These textile manufacturing firms are; Chellco Industries limited and United Nigerian Textiles Plc both of them are located within Kaduna metropolis.

The shrinking productivity of the textile firms affected the population of the study as few staff was left. Population of the study is 1120. 10% of this population is used as the study sample size based on Roscoe (1975) 10% rule of thumb which says that 10% of a large population is enough as sample size. The respondents were selected across the two firms. 69 of the staff are from United Nigerian Textiles Plc, Kaduna while the remaining of 43 is from Chellco Industries Ltd, Kaduna through simple random sampling. The study used both primary and secondary data. The primary data were sourced through a structured questionnaire which was administered to the staff of the two textile firms. The questionnaire comprises of a set of multiple choice as well as Likert scale questions. The statistical technique used to analyze the data includes; mean ranking, standard deviation, frequencies and percentages. The study used Statistical Package for Social Sciences (SPSS) Version 13.0 to analyze the data.

Result and Discussions

A total of 112 staff of different designations in the two textile manufacturing firms was involved in this survey. They were made up of 96 or 85.7% males and 16 or 14.3% females. Most (92 or 82.1%) of the staff were between the ages of 30 and 50 years range. Their designation varies, with supervisors accounting for 46% (52) of the total respondents and those within the rank of managers accounting for 20% (22) of the total respondents. Respondents with other ranks were slightly lower 34% (38) among the respondents because of the need to get adequate and relevant information on the effect of environmental factors on the performances of the firms. On years of experience of the respondents 15% (17) have spent 1-5 years with their firms while 63% (70) spent 11-15 years. The remaining 22% (25) were in the organization for 21-30 years. The workers could be said to be educationally adequate since 39% (44) of them had Ordinary National Diploma or its equivalent and 25% (28) of them had university degree or its equivalent. Only 29% (32) of the

respondents claimed to have secondary school education as their highest qualification while the remaining 7% (8) of the respondents even had higher degrees. Given these demographic information the target respondents are well educated and experienced to assess the effect of environmental factors on the performance of their firms.

Table1: Descriptive statistics of Internal factors

		Management influence	Mission influence	Influence of the organizational objective	Influence of the organizational resources
N	Valid	112	112	112	112
	Missing	0	0	0	0
Mean		3.75	3.29	3.20	4.70
Std. Deviation		.577	.592	.583	.567

The table 1 above indicates that the mean average of the internal environmental factor are 3.75, 3.29, 3.20, and 4.70 for the influence of management, mission, organizational objectives and resources on the activities of the firms while the standard deviation for these factors are .577, .592, .583 and .567 respectively.

Table: 2 Descriptive statistics of external factors

		Influence of technological	Economic influence	inflation	Monetary policies	Fiscal policies	Taste of the customers	Political factors	Ecological factors
N	Valid	112	112	112	112	112	112	112	112
	Missing	0	0	0	0	0	0	0	0
Mean		4.73	4.39	3.79	4.46	4.46	4.46	4.66	2.21
Std. Deviation		.445	.775	.924	.734	.734	.734	.665	.821

Source: Computation from field survey through SPSS, 2010

From the table 2 above shows that the mean average of the external environmental factors are 4.73, 4.39, 3.79, 4.46, 4.46, 4.46, 4.66 and 2.21 for the influence of technology, economic, inflation, monetary policies, fiscal policies, consumer taste, political as well as ecological factors respectively. On the other hand, these factors have .445, .775, .924, .734, .734, .734, .665, and .821 as their standard deviation respectively.

The ranking of the effect of internal and external environmental factors on the performances of the depressed textile firms are listed in tables 3 and 4. The combination of ranking of both internal and external environmental factors is also shown in table 5 below.

Table: 3 Ranking of the effect of internal environmental factors on the performances of the sampled textile firms

Internal Environmental factors	Mean	Ranks
Management influence	3.75	2
Mission influence	3.29	3
Influence of the organizational objectives	3.20	4
Influence of the resources of the organization	4.70	1

Source: *Computation from field survey through SPSS, 2010*

The table 3 above shows the respondents' ranking of the effect of internal environmental factors. Their ranking of these factors revealed that resources within the disposal of the firms is ranked the most influencing internal environmental factors that affects firms' performances, this is follow by the management influence, mission influence and organizational objective respectively. This finding is however, not surprising as it is consistent with the opinion of Aliyu (2003) when he said that resources are the essential aspects of every organization and also the pivot on which the organization's success hinges. Management influence is ranked second, it is implied from their responses that management team has a high influence on the performances of the firms. This finding is also in line with Corman and Lussier (1996) believe that the leadership style and the decision made by managers affect the performance of the business as well as the findings of Prahalad and Bettis (1986) that the insight and vision of top managers affect performance.

The respondents further opine that mission and organizational objectives have moderate influence on the performances of the firms. This corroborates the definition given by Cadbury (1992) in Anugwom (2005) that corporate government provides the structure through which the company missions and objectives are set and the means of attaining those objectives and monitoring performance. Thus, the respondents are by implications not directly involved in setting the missions and objectives of their various firms.

Table 4: Ranking of effect of external environment factors on the performances of sampled textile the firms

External Environmental Factors	Mean	Ranks
Influence of technology	4.73	1
Economic influence	4.39	6
Inflation	3.79	7
Monetary Policies	4.46	4
Fiscal Policies	4.46	4
Taste of the Consumers	4.46	4
Political Factors	4.66	2
Ecological Influence	2.21	8

Source: *Computation from field survey through SPSS, 2010*

Note: For the three environmental factors (i.e. monetary and fiscal policies and taste of consumers) that shares the same mean average, we add positions 3,4 and

5 and divided by 3 ($3+4+5 \div 3 = 4$). Thus; we arrived at fourth positions for these three factors respectively.

The result in table 4 above reveals that technology is ranked the most influencing factors on the firms' performance among external factors. This corroborates the submission of UNIDO (2000) that there are technological gaps in the industry, thus modernization of the entire system is generally lagging behind technological advancement of textile industry of Asian nations. The political factors which was ranked second is also consistent with Oshiomhole (2002) and Olari (2007) opinions in their assertion that government policy has a lot to do with the state of the textile industries can hold water. The findings also lent support to the argument of Aluko, Akinola and Fatokun (2004) as they succinctly maintained that manufacturing sector was characterized by lack of an enabling environment which included polity and policy instability, poor macro-economic environment etc. The external factors of fiscal and monetary policies as well as consumers' tastes are ranked fourth respectively as they all have the same mean averages. These respondents believed that all the economic factors – inflation, monetary and fiscal policies have considerable influences on the firms' performances. The study tacitly confirms Unamka and Ewurum (1995) stand that each of these segments of the economy can assist or hinder the achievement of enterprises objectives and the success or failure of the enterprise. Economic influence is ranked sixth while inflation is ranked seventh in terms of their effect on business performance. Most of the respondents believe that ecological factors are not issues that will affect the firms' performances are ranked last, that is eighth. The reason for is not far fetch, because for developing Countries like Nigeria, government legislations on pollutions are still at infancy stage as such they are not fully enforced. Therefore, firms hardly spend their funds on ecological related issues.

Table 5: Ranking of combined effect the environmental factors on the performances of the sampled textile firms.

Internal and external environmental Factors	Mean	Ranks
Management Influence	3.75	8
Mission Influence	3.29	10
Influence of the Organizational Objective	3.20	11
Influence of the resources of organization	4.70	2
Influence of technology	4.73	1
Economic influence	4.39	7
Inflation	3.79	9
Monetary Policies	4.46	5
Fiscal policies	4.46	5
Taste of the Consumers	4.46	5
Political factors	4.66	3
Ecological Influence	2.21	12

Note: (For the three environmental factors with mean averages of 4.46 see the note above)

In addressing the main objective of this paper, the ranked order in table 5 indicated that internal factors in terms of the available resources of the firms and external factors in terms of the technological advancement in vogue constituted the major determinant of the firms' performances. On the aggregate, external factors are the major and most significant factors influencing the firms' performances. These are indicated by the subsequent ranking in table 5. These external factors included political factor which represents the disposition of government to business activities ranks third while the consumers' taste which constitutes present state and nature of consumer needs and fiscal and monetary policies come fifth as they have the same mean averages. This observed taste of the consumers is consistent with Gyang (2002) in which the demand of foreign textile was seen as a major factor of the decline of local textile firms in Nigeria. These observations are consistent with the opinion of Imaga (2003) where business environment was summoned up as the total factors affecting the performances of the firm.

Conclusion

The major objective of the paper has been the determination of the effect of environmental factors on the performances of textile manufacturing firms in Kaduna. In the course of analysis of the data it was observed that the effect of environment on the firms' performances could be monumental. In the overall, the aggregate effect of external influences is more pronounced on the performances of the firms than the internal factors affecting the firms. In the case of the internal factors, the resources at the disposal of the company could be a major determinant of the level of their performances. On the other hand, factors outside the control of the firms are influential on their operations than those within their control.

Recommendations

Based on the findings, the following recommendations are put forward to cushion the effects of environmental factors on the performances of textile manufacturing firms.

There is need for government to create enabling environment for the industries to thrive especially the textile industry.

It is believed that the cost of doing business in Nigeria is high as interest rate is up to two digits. Some of the Asian textile firms that are in competition with Nigeria textile firms have their countries' interest rate stands at one digit. There is need for the government to bring a policy that will crash the banks' interest rate especially as it affects the manufacturing firms. This will go a long way in making funds available to the firms and will also enable them to compete.

We cannot talk about bridging technological gap in the face of poor and inadequate infrastructure. There is need for the government to provide adequate infrastructure – like good roads, adequate water supply and electricity supply. This

will enable the firms to bridge the technological gap in the industry.

There is always shortage as well as high cost of low pour oil (or black oil) which is one of the major inputs of textile manufacturing firms. This can only be made available regularly when the refineries start full operations and so the government should do all it can to make the refineries work well again.

Government should assist the textile firms through monetary and fiscal policies. By monetary policy, government should embark upon policy that will enable them obtain loans easily through the banks to finance some of their activities. By fiscal policy, government should reduce the tax rates especially the issue of multiple taxations these days. Also, the bail-out funds from CBN which meant to assist the ailing firms in textile sector should be judiciously allocated to the worthy firms in the industry.

There is need for greater flexibility in production design to meet increasingly diverse consumer needs obtained by using new computer-led technologies.

It is high time Nigeria took a second thought about her membership of the World Trade Organization (WTO). Trade liberalization is good, but at what costs? The impact of trade liberalization on domestic firms in Nigeria has been overwhelming, disastrous and killing. The textile firms felt the brunt so much that so many of them have to fold up, while those remaining in business are down-sizing and operating below their installed capacities as such Nigeria should revive her agreement with this body.

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