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Competitiveness: A Critical Factor in the Performance of Small and Medium-sized Garment Enterprises Amidst Dynamism of Globalisation

[1] Mercy Ampofowa Osei
[2] Ninnette Afi Appiah
[3] Ebenezer Kofi Howard
[4] Benjamin Kwabla Asinyo

[1] Department of Clothing and Textiles, University of Education, Winneba
[2] Department of Fashion Design and Textiles Education, AAMUSTED, Kumasi
[3 4] Department of Industrial Art, Kwame Nkrumah University of Science and Technology

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Abstract

This study aims to investigate the role of competitiveness in the dynamics of globalisation and performance of SMEs in Ghana's garment manufacturing sector. Employing a quantitative research design, the study analyzes survey data collected from members of the Ghana National Dressmakers and Tailors Association (GNDTA) who are registered with the Ministry of Trade and Industry (MoTI) database across major industrial cities: Accra, Kumasi, and Tamale. Among a sample of 204 conveniently selected respondents, it was observed that globalisation has a notable impact on enterprise performance. Additionally, competitiveness emerged as a significant factor influencing enterprise performance. Furthermore, the study found that competitiveness acts as a mediator, explaining the relationship between globalisation and enterprise performance. In summary, the research *concluded that globalisation and competitiveness jointly enhance the performance of firms within the fashion industry. As a recommendation, fashion firms are encouraged to embrace modern approaches in their practices to enhance competitiveness in the global fashion landscape.*

Keywords: Globalisation, Competitiveness, Enterprise Performance, Garment Enterprises

Introduction

Considering the rapidly shifting business environment, staying competitive is a critical issue and challenge for most SMEs. Therefore, it is crucial to explore the dominant competitive factors in the sector to devise the required strategies to improve and strengthen them for success. It can be perceived that the amalgamation of domestic fashion retail into global value chains occurred very rapidly, threatening the existence of fashion SMEs. Singh et al. (2010) argued that small business failure almost always stems from competition from global markets. Some studies have also discovered that the key distinctive features between high-growth and low-growth small firms were adapting to dynamic, competitive situations without adding bulk (Hyder & Lussier, 2016; de Waal, 2012).

Competitiveness, according to Singh et al. (2010), has been claimed as a critical requirement in the development and growth of SMEs in many countries. Prasanna et al. (2019), for instance, indicated the importance of competitiveness for success. Shaulska et al. (2021) also established the relationship between competitiveness and business achievement. Therefore, any effort aimed at industrialisation, employment generation and improved GDP, especially in developing countries where SMEs are dominant, must recognise the competitiveness of Small and Medium-sized entrepreneurs as a strategy for addressing developmental issues.

The current study is grounded in the competitive and globalisation theories of Porter as given exposure by Sharp (1991). Accordingly, Porter's competitive strategy specifies that competition is at the core of the success or failure of firms. Competition determines the appropriateness of a business's activities that can contribute to its performance, including innovations, a cohesive culture, or exemplary execution. Competitive strategy is pursuing a favourable competitive position in a sector, the fundamental arena in which competition occurs. Globalisation, on the other hand, is a theory whose objective includes the construal of current events in the international domain in terms of development, economic conditions, social scenarios, and political and cultural influences.

Further, although there are some theoretical explanations regarding the relationship between globalisation, competition and SME performance, the literature highlights mainly studies exploring these relationships in the context of industrialised countries and only limited studies in developing countries such as Ghana, particularly on small and medium scale fashion designers in the garment sector. To bridge this research gap, it is crucial to determine how fashion SMEs in Ghana can be strengthened and empowered to thrive and succeed in the current competitive environment as a result of globalisation in the Ghanaian context since no substantive empirical study has been conducted in this regard.

The primary objective of fashion SMEs is to meet customers' requirements and preferences regarding designs and fashion trends (Gonda et al., 2020). Customers' desires are easily achieved with the advent of diversity and the availability of global fashion designs (Wen et al., 2019; Meamber et al., 2017). The profits of Globalisation have therefore occasioned high levels of SME competitiveness in the global fashion industry. This has been facilitated by, among other aspects, liberalised trade regimes, competition among businesses, increased demand owing to shifts in consumer preferences and tastes, and accessibility to factor conditions (Naradda et al., 2019; Shaulska et al., 2021).

However, various studies on globalisation and competitiveness suggest that Ghanaian SMEs cannot compete effectively and the garment industry is not exempted (Sarpong et al., 20ll; Senayah, 2016). While SMEs remain a crucial contributor to global economic development, little empirical examination has been conducted on the relationship between competition and SME success of SMGEs in Ghana (Alhakimi & Mahmoud, 2020; English & Hoffmann, 2018; Singh et al., 2008). This has brought the need to investigate the role of competitiveness in the dynamics of globalisation and performance of SMEs

Review of Related Literature

2.1 The Concept of Competitiveness

Until the publication of the influential book by Porter titled *Competitive Advantage of Nations*, intellectual leaders, including scholars and politicians emphasized the concept of competitiveness in the race to achieve a country's economic success in the globalized world (Lee, 2013). Other Economic Unions, International organizations, and research centres such as the European Union (EU), Organization for Economic Cooperation and Development (OECD), World Economic Forum and International Institute for Management Development began publishing national competitiveness reports comparing countries' economic performance thereby increasing interest in competitiveness (Chikan, 2008; Gardiner, Martin & Tyler, 2004).

Since then, it has become a focus of policy debate starting in the late 1980s to the early 1990s. The term "competitiveness" has been deconstructed extensively in academic literature (Krugman, 1994; Porter, 1990). Sanfey and Zeh (2012) found that the differing perspectives on what competitiveness is and how it affects policy were never truly resolved.

Powell (2001) asserts that competitiveness, in general, is an ability related to prosperity, or 'sustained' superior performance in any subject. At a national level, the term competitiveness has been viewed as broadly as "an ability to create wealth" (Aiginger, 2006, p.162), productivity (Krugman, 1996), or as specific as the ability of a country to realize central economic policy goals, especially growth in income and employment without running into balance-of-payments deficits (Fagerberg, 1988). Scholars have been striving to develop and agree on one definition of national competitiveness, however, no consensual meaning of the construct has emerged to date (Aiginger, 1995; Krugman, 1994; Powell, 2011; Siggle, 2001). It is possible to use competitiveness as a general term (e.g., national) or more specific (e.g., firm) based on the scope of the study (Porter, 1990). Various levels and scopes (Firms, Industries and Nations) of competitiveness are interrelated. Firms, industries and nations affect each other competitiveness (McGahan & Porter, 1997). More specifically, firm competitiveness affects industrial competitiveness and vice versa, while industrial competitiveness affects national competitiveness and vice versa.

A company's competitiveness is defined as its ability to adapt its products to market and competition demands, notably in terms of product range, quality, pricing, and the most effective sales channels and promotion tactics (Adamkiewicz-Drwillo, 2002). According to Barker (1998), a country's competitiveness is the degree to which it can create goods or services that pass the test of international markets while also sustaining and growing the real incomes of its population over time under free and fair market circumstances.

Buckley et al. (1988) also state that a company's competitiveness is defined as its capacity to produce and sell superior-quality products and services at lower prices than domestic and worldwide competitors. Buckley et al. (1988) further explained that the ability of a company to reward its employees and give superior returns to its shareholders is measured by its competitiveness over time. Krugman, a well-known economist (1994) observed that if there is any meaning to competitiveness, it is merely another way of expressing productivity. This is achieved by a nation's ability to sell products to the world markets, called trade and effective use of input factors in the production process called productivity (Chikan, 2008). Thus, a country's ability to enhance its living standards is nearly entirely dependent on its ability to increase production. When it comes to national economies, the term "competitiveness" has no significance. The only important idea of national competitiveness, according to Porter (1990), is national productivity.

Various authors have also defined competitiveness as a theoretical, multifaceted, and relative notion linked to the market mechanism (Hawkins, 2006). The idea may refer to multiple levels of aggregation: supranational, national, regional, local, industrial, sectorial, as well as individual enterprises, according to the definitions offered. However, because there are high, medium, and low competitive economic agents on the market at the same time, it appears that the competitiveness concept should be described as a set of characteristics of one thing in comparison to comparable objects (benchmarks) on the market (Hawkins, 2006). Furthermore, competitiveness is a perplexing term that is frequently used interchangeably with other notions such as productivity, innovation, and market share (Hawkins, 2006). Therefore, competitiveness refers to an economy's ability to deliver a rising standard of life and high employment to its citizens on a long-term basis.

According to Sarbah et al. (2021), managerial capabilities of entrepreneurs of SMEs should be enhanced through periodic globalisation-based training programs, thereby acquiring in-depth comprehension issues about globalisation, and creating an enabling environment for SMEs to embrace globalisation. This study focuses on Porter's definition of national competitiveness as it greatly influences national competitiveness discussion and research, and most of the current literature is based on his definition.

2.2 Globalisation, its Dimensions and Impact

One of the complex and multidimensional phenomena that means different things to different people across countries, regions, and times is the term 'globalisation' (Ali, 2012; Takefman, 2023). It encompasses the construal of current events in the international domain in relation to development, economic conditions, social scenarios, and political, technological, and cultural influences. Sarpong et al. (2011) have described globalisation as the extent of interdependencies, coupled with the rapid drifts of products, services, finance, people, and ideas, as well as changes in establishments and policies at both national and international levels that support such flows in the industry. Consequently, it is seen as the key through which manufacturers produce and distribute their wealth in exchange for economic gains.

3. Theoretical Background

Diamond Model

The study was underpinned with the Diamond Model Theory propounded by Porter (1990), Porter's Diamond Model, also known as the Theory of National Advantage, is grounded in the concept of competitive advantage. It is a business framework that describes a nation's competitive advantage in the international market. It is used to understand the competitive advantages and disadvantages of a country or organisation in any field, as well as suitable measures that can be taken by the country or organization to improve its performance (Sridharan, Arora & Roy, 2022). It also explains why some industries in each region are more favourable than others and how the government can act as a catalyst to help a country enhance its position in a globally competitive economic climate. Four determinant elements must be present, according to the model, for an industry to have a national competitive advantage. These four mutual reinforcing determinants or factors comprise:

i. The factorial determinants/ factor conditions

ii. The determinants of the demand/ demand conditions

iii. Related and Supporting Industries

iv. Firm Strategy, Structure and Rivalry

When these conditions are favourable, domestic companies are compelled to continuously innovate and update regularly and as a result, they will remain competitive internationally. On the other hand, unfavourable conditions will result in the inability of these companies to compete globally.

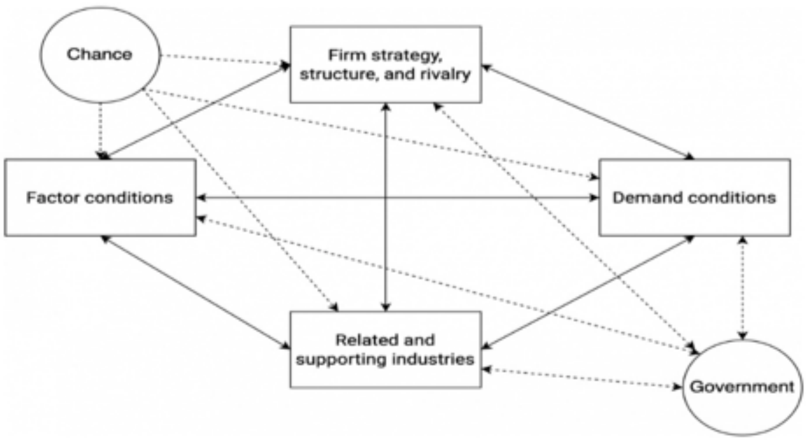


Figure 1. **Porter's Diamond Model**
Source: **Porter (1990)**

Porter (1990) also proposes two other factors, namely government policy and chance. These can influence any or all the four basic factors to help an industry develop a competitive edge or fail (exogenous shocks).

4. Methodology

The study employed descriptive research design. The target population for the study comprises members, managers (Mastercraft men -'masters' and 'madams') and chief executive officers of Ghana National Dressmakers and Tailors Association (GNDTA) who constitute Tier 2 Apparel Manufacturers registered on the data base of the Ministry of Trade and Industry, Ghana. The accessible population on the other hand included selected GNDTA members located in the Greater Accra, Ashanti, and Northern regions of Ghana. Preliminary enquiries show that the sixteen (16) regions in Ghana have a total of 550 zones and the three selected regions have a combined population of 192 zonal branches registered under GNDTA.

The study adopted 40% of the stratified population (Table 1) for analysis and generalization of all the data collected. included in the sample for acceptable results when using stratified sampling. The larger sample size was reduced to an appreciable size as to interpret the response qualitatively and quantitatively.

Table 1: Stratification of Accessible Population

Strata	Selected regions	Zones	Randomization level (40% Zones)	Sample size (randomized level of zones x 3)
Stratum 1	Greater Accra	65	26	78
Stratum 2	Ashanti	84	34	102
Stratum 3	Northern	45	18	54
Total Population		**192**	**78**	**234**

Source: Fieldwork (2023)

The convenience sampling techniques was used in conjunction with the stratified random sampling in this study. The researcher conveniently selected two hundred and thirty-four (234) members out of the seventy-eight (78) GNDTA zones from the three (3) selected regions. Within each zone, three (3) respondents were selected. to give each member of the population, equal opportunity of being selected (Avoke, 2005, p.94).

An adapted questionnaire was used for data collection. Globalisation Scale was developed by Rowley (2012) which comprises five-point Likert scale, for which 1= 'strongly disagree' to 5= 'strongly agree'. Competitiveness Scale was developed by Hubbard and Beamish (2011) which consists of a five-point Likert scale a five-point Likert scale, ranging from A very large extent' and 1='Never' to 5='Always. Lastly, the Enterprise performance scale was developed by Connelly (2008) which comprises five-point Likert scale, for which 1='strongly disagree' to 5='strongly agree'. 234 questionnaires were distributed and 204 questionnaires were responded and returned leading to 87% response rate.

5. Results

The aim of the study was to identify the mediating role of competitiveness on relationship between globalisation and enterprise performance of SMEs. The mediation analysis was performed using SEM path analysis with 1000 bootstrap samples, with bias corrected confident intervals. The predictor variable was Globalisation (X) and was measured on a continuous basis. The criterion variable was enterprise performance (Y) and the mediating variable was competitiveness (M). Both variables were measured on continuous scale.

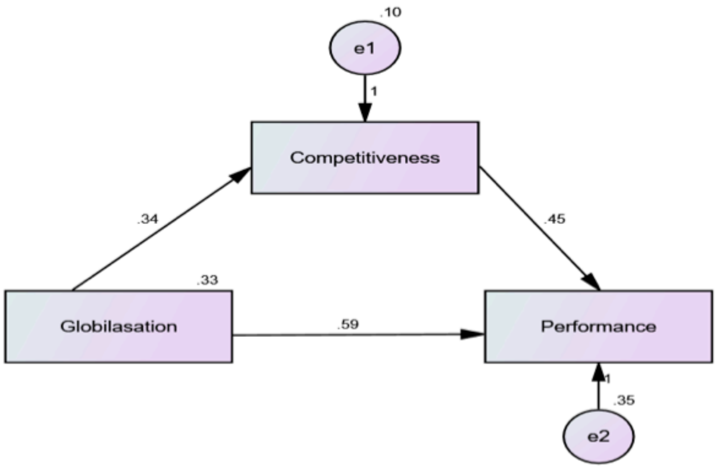
Before mediation was tested the result showed that globalisation significantly predicted enterprise performance B = .74, *Boost 95% CI (.26, .42)*. Thus, globalisation significantly influence enterprise performance. However, competitiveness B = .92, *Boot 95%CI* (.67, 1.17) was a significant predictor of enterprise performance. The results imply competitiveness significantly influence enterprise performance. Details of indirect, direct effect and total effect are presented in Table 2 and Figure 2

Table 2: Indirect Effect, Direct Effect and Total Effect

					Confidence Interval	
					Lower	**Upper**
	Effect	**BSE**	**CR**	***P***	**Limit**	**Limit**
Total effect of X on Y	.74	.03	5.56	.000	.26	.42
Direct effect of X on Y	.59	.01	3.73	.000	.37	.811
Indirect effect of X on Y	Effect	BSE	*BootLLCI*		*BootULCI*	
Competitiveness	.15	.13	.10		.77	

X- Globalisation, Y- Enterprise Performance, Significant, $p < .05$

The results from Table 2 showed that the direct effect of Globalisation on enterprise performance was statically significant B = .59, *Boost 95% CI (.26, .42)*. This means without the mediator (competitiveness) will solely predict enterprise performance (B= .59). Hence, when the mediator variable (competitiveness) was introduced, as indicated in the indirect effect, the relationship was significant B = .15, *Boost 95% CI (.10, .77)*. Thus, competitiveness mediated/explained the relationship between Globalisation and enterprise performance. Figure 2 shows the path model for mediation (competitiveness)



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6. Discussion of Findings

The results of the study found that globalisation influence enterprise performance. Moreover, competitiveness significantly influenced enterprise performance. Also, competitiveness mediated/explained the relationship between Globalisation and enterprise performance. The results of the study imply globalisation and competitiveness among firms help to increase the performance of firms in the fashion industry. The plausible reason for this result could be study areas. The study targeted firms in the urban cities, these firms are ready expose globalisation which is likely to bring keen competition among firms and lead to increase in performance among these firms in the urban cites. The result of this study is consistent with Kyove et al. (2021) examined the impact of Globalisation on multinational enterprises from 1980 to 2020. The authors came to the conclusion that developed countries' markets are more saturated than those of developing nations, which encourages multinational corporations operating in developing nations to rely heavily on foreign sales for revenue growth. Multinational corporations in developed nations are more likely to use more advanced factors of production to generate revenue, while those in developing nations are more likely to use the basic forms. (Porter, 1990). The positive influence of Globalisation on competitiveness and subsequent performance has been evident. According to Littunen and Niittykangas (2010) and Muhammad et al. (2010), the management of the SME, the entrepreneur, and the way competition is handled may all have an impact on the success of SMEs.

The findings of the study further confirm the study of a study by Al Mamun et al. (2019) found that entrepreneurial competencies mediate the relationship between entrepreneurial skills, market orientation, networking, and enterprise performance among micro-enterprises. Another study by Wang et al. (2022) proposed that enterprise competitiveness reflects an enterprise's ability to outperform its competitors and focuses on economic value creation and relative performance. However, competitiveness is not static and sustainable. Dynamic capabilities are essential for firms to achieve competitive advantage and superior performance in the global market.

7. Conclusion

The study concluded that globalisation and competitiveness among firm improve the performance of firms in the fashion industry. The study has revealed how both globalization and competitiveness play significant roles in influencing enterprise performance, particularly within the fashion industry. The focus on urban areas, where globalization is more pronounced and competition is keen, likely contributed to the observed increase in performance among firms in these locations. These findings resonate with previous research by Kyove et al. (2021), which highlighted the impact of globalization on multinational enterprises, particularly in developing nations where foreign sales become pivotal for revenue growth. In essence, the study underscores the interconnectedness of globalization, competitiveness, and enterprise performance, highlighting the need for fashion firms to embrace modern strategies and dynamic capabilities to navigate the challenges and opportunities presented by the globalized marketplace. It is recommended that fashion firms adopt modern ways in fashion so that they will be competitive as globalisation in fashion is concerned.

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