Determinants of Business Level Strategies: A Study with Reference to some Selected Textile Factories in Ethiopia

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Abstract: **The main objective of the study is to investigate performance implication and determinants of business level strategies of some textile factories in Ethiopia. This objective is cascaded into specific objectives and addressed through the use of explanatory research design. The study used secondary data. The data was tested using different test statistics to make it suitable for analysis. The analysis of the data was made using linear regression model. The main findings of the study suggested that external environment related factors which have been captured by dynamic Environment and Environmental munificence and industry concentration are the significant determinant of the low cost position strategy for case company A. The differentiation strategy captured by the intensity of advertising is also determined by environmental munificence, dynamic environment and industry concentration for case company C. Advertising intensity elements of differentiation strategy can also be explained by low slack discretionary resources for case company E. Therefore, managers, policy makers and researchers had better to give an emphasis for the key variables elements that have a direct impact on strategy choice and use of textile factories in Ethiopia. In so doing, a well-integrated and coordinated set of commitments and actions need to be taken by policy makers and industry captains just to build the resources, capabilities and core competencies of firms through different intervention measures so that   cost or differentiation advantages or both can be earned from the industry environment.**

Keywords: **Determinants, business level strategies, textile factories, Policy and Ethiopia.**

1. INTRODUCTION

The current marginal growth of firms in developing countries cannot withstand the impact of the dynamic competitive environment. As it is clearly pointed out by Vukanovic (2009), the nature of global competition will increase by 300 percent in the year 2037. Thus, unless firms in a developing economy come up with a fresh approach to tackle problems and to have an anticipatory stance with regard to the tough-and tumble competition, their viability is questionable.

In the 21st century, firms must carry out a perpetual audit on the present environment, cast out the future state of the environment and create actionable strategies to remain viable, efficient and effective in a dynamic and uncertain environment. Firms that have not been able to cope and afford the right strategy to explore and exploit opportunities and to neutralize threats that arise out of the ever changing business environment will become poor in their performance (Martin, 2014). On the other hand, the resource based theory in its part advocated that the competitive advantage of a firm stems from its resources and competencies (Ouedraogo, 2007; Wernerfelt, 1984). Proponents of this perspective contend that a firm can earn above normal profit and sustainable competitive advantage if its internal capabilities excel the internal capabilities of its rivalries.

Very few others like Marques (2014) offer a different explanation about the key determinants of business level strategies. Marques's approach focuses on the logic of action and entrepreneurial qualities of management and firms' agility as a cause for competitiveness. Such action driven logic further diverts the focus of the researchers' attention away from market position and the possession of resources to personal and entrepreneurial skills. To further complicate the issue, a research work in the context of developing countries has shown a different result, for instance, Hafsi and Gauthier (2003) found that, unlike firms in developed nations, the success or failure of firms in developing countries is determined by the firms' capability to take the advantages of social and political related factors rather than market structure and resource related factors.. Here, the determinants of business level strategy that can work in the context of developed economies may not work in the developing economies. This implies that the superior economic performance of a firm is simply related to context specific strategic elements. In other words, the research outcomes of Hafsi and Gauthier cast out a big doubt on the determinants of strategy identified by different scholars especially in the developing countries context.

In general, old literature on strategic management typically explained that the strategies of a business firm are mainly determined by exogenous factors (Porter, 1985, 1990). Theorists in the resource based view, in their part argued that firms need to give too much stress on the relevance of the internal decision making environment (Barney, 1991; Wernerfelt. 1984). While others also argued that the strategy change and choice of a firm can also be affected by the entrepreneurial characteristics ofthe management. Such a controversy needs further investigation to get a clear picture about the problem especially in the context of textile factories in developing countries.

The contribution of research works which were made in the context of developed countries may not be relevant to support a firm in developing countries to achieve superior economic performances. That might be one of the key reasons to most business firms in developing countries not to come out of the infant stage that they are in. Just to fill such a gap and to contribute a little bit in the existing academic conversations on the determinants and performance implications of business level strategies, the research was conducted in the context of developing countries particularly in the case of textile factories in Ethiopia.

2.   PROBLEM STATEMENTS

In the past two decades, there is a real progress in every front especially in the manufacturing sector in Ethiopia. The government has attempted to transform the agriculture driven economy into industry driven economy. However, the progress of textile factories in Ethiopia with respect to strategy choice and change seem elusive. The elusive nature of the progress may be attributed to different factors such as lack of innovative approaches in creating, sustaining and executing strategies taking into account the key strategic factors, lack of cooperation among different actors on the goals of strategic management effort, poor choice of the approaches used to achieve those goals and failure to recognize the unique environmental and industry context of the sector at the time of conception and implementation of strategy.

Research shows that in developed economy, exogenous factors like economic, technical and competitive have a significant impact in the strategy and economic performance of firms (Porter, 1985). Whereas in the developing economies, Hafsi and Gauthier (2003) pointed out that the social and political factors are too influential in determining strategy and performance in addition to the economic, competitive and technical factors. Moreover, internal and personal characteristics like the resources of the firm, its capabilities, values, attitudes and risk taking propensity of managers can be cited as factors that determine the making and working of strategies.

Ouedraogo (2007), in his part suggested that winning African firms can only be created if and only if managers can formulate and implement a strategy by taking into account the context specific factors of those firms. In other words, African based companies need to have a distinctive competency that fits with the existing resources and competencies which is very common there in Africa. This implies that the mere application of industry position model or the resource based model may not ensure superior economic performance especially in African based companies. On the other hand, Smith (1997) explains that high organizational performance is due to the cohesive alignment of environment, strategy, internal structures and its entire systems. Thus, firms in developing countries including Ethiopia might be expected to search for a working theory or empirics with regard to the key strategic factors in line with their contexts.

Ethiopia as a nation is well endowed with resources that can be used as an input in the production systems of textile factories. The adequacy of resources for the textile factories in the country can be taken as a comparative advantage. However, the overall performance of the textile factories in Ethiopia relative to African countries is not that much

charming even if it has abundant resources (MOT, 2013). This implies that the country is not in a good position to earn the possible benefits that is expected from the sector due to its meagre performance. Despite the comparative advantage the nation has and the age and growth of the textile factories over the last two decades the sector is not in a position to produce world-class competitive products.

In fact the first five years growth and transformation plan (GTP) of Ethiopia sets out export targets of billion dollars from textile and apparel exports (MOFED, 2010). However, when the GTP period is over, the current export performance is far away from its targets. Moreover, Ethiopia as one of the beneficiaries of African growth and opportunity act (AGOA) needs to earn too much by exporting textile products to the US market. In this regard too, the sector is not capable enough to exploit such a golden market opportunities created through the AGOA platform and other related preferential privileges.

However, Ethiopia's export share is less as compared to the total exports made by the Sub-Saharan African Countries. For instance, our neighbour Kenya exported to the U.S almost 68 times more than what Ethiopia did at different time (MOT, 2013). Ethiopia as a country has huge potential for cotton production as large as Pakistan which is the fourth largest producer in the world and has golden market opportunities but it has still a meager performance relative to its neighbor Kenya. The big puzzle here is that "why the strategy of textile factories in Ethiopia failed to put the nation on the first row of textile industry in the world?

Putting Ethiopia on the first row of the textile industry has both a logical and practical appeal for these factories as long as each firm is well prepared to take the advantages of the well-endowed resources of the nation and the overseas market opportunities created via bilateral relation. Until very recently as far as my knowledge is concerned, there is little research works that can proffer a reflection about the determinants of business strategies and the performance implications of business level strategies in an integrated manner.

Different strategic factors may have its own significant contribution either directly or indirectly on the survival and growth of a company. Business level strategy and its linkage with the external environment and internal environment (resources) have a long research tradition though it has context specific and methodological limitations. Besides, even though research undertaking on this area is common there is lack of consistency in most of the empirical findings. Therefore, this section of the research attempted to analyse the environment and resource determinants of business level strategies in some textile factories of Ethiopia.

3. MATERIALS AND METHODS

Data were collected from the Ethiopian Textile Industry Development Institute and Central Statistical Agency. Textile factories that were included in this study are only those firms for which complete data on the variable of interest are adequately available. So as to take a representative sample the researcher takes into account issues like the data analysis technique, the nature of the population and the availability of synchronized archival data.

The research used a 10 years' time series data starting form 2007/8-2016/17. The starting year is 2007 because it is in this year that the government made a big industrial policy change so as to create healthy, innovative and self-directed sectors. The year 2007 is also linked with the launching of the Growth and Transformation Plan (GTP–I) of the country. Taking these big facts in mind the researcher chooses 2007 as a starting year to collect data, to get insights with regard to the pragmatic changes that have been mediated by the transformation policy of the country in making the market attractive and changing its structure so that the market affords an opportunity to the industry captains to choose and use a strategy to lead their firms in the right direction.

Model specification

The relationships between a firm's business level strategies (captured in terms of cost efficiency, asset parsimony, differentiation and scale/scope) and the independent constructs (i.e. competitive environment, environmental munificence and resources) were modeled as follows;

$CI = \beta1(ICR) + \beta2 (EM) + \beta3 (LDSR) +\beta4 (HDSR) + \beta5 (DM) +$ e----------------------1

$CE = \beta1(ICR) + \beta2 (EM) + \beta3 (LDSR) +\beta4 (HDSR) + \beta5 (DM) +$ e----------------------2

$AD = \beta1(ICR) + \beta2 (EM) + \beta3 (LDSR) +\beta4 (HDSR) + \beta5 (DM) +$ e----------------------3

EI = β1(ICR) + β2 (EM) + β3 (LDSR) +β4 (HDSR) + β5 (DM) + e----------------------4

Where:

    CI – capital intensity used to measure asset parsimony

    CE – cost efficiency aspect of business level strategies

   AD- advertising intensity used to measure differentiation strategy

    EI- Export Intensity used to measure scale strategy

  ICR- Industry Concentration rate

  EM – Environmental munificence

  LDSR- Low discretionary slack resources

 HDSR- High discretionary slack resources

  DM- Dynamic environment

4. CONCEPTUAL FRAMEWORK AND HYPOTHESES OF THE STUDY

The study which aims to investigate determinants of business level strategy in the case of textile factories in Ethiopia attempted to address three major constructs and about nine independent and dependent variable elements. The conceptual framework includes determinants and dimensions of business level strategies. The researcher used explanatory approach to investigate the determinants of business level strategies. A longitudinal study based on textile factories was set up to test the relationship between the different set of independent and dependent variables are vividly shown in the given below figure.
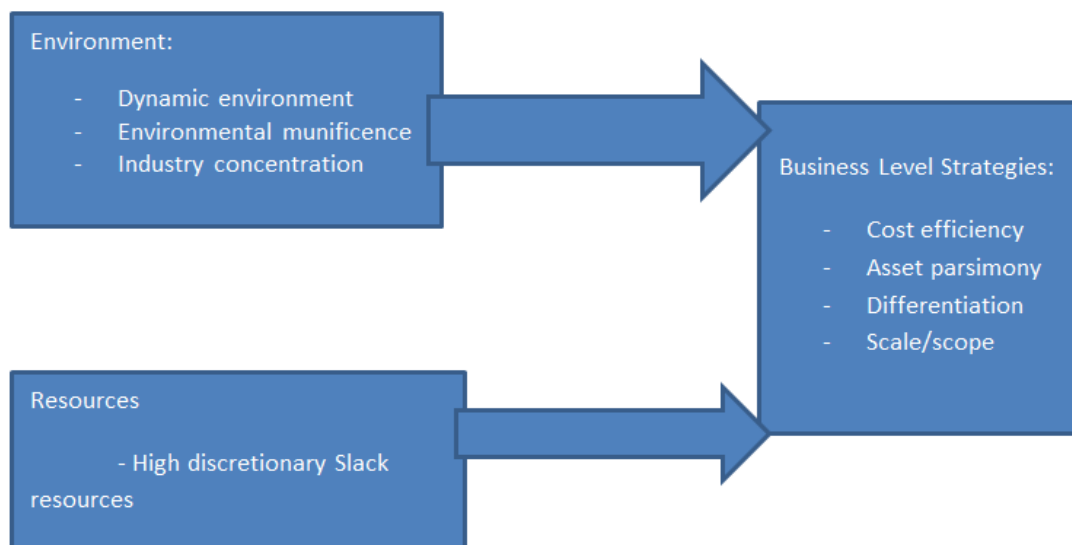

Figure 1: Conceptual framework of the study

The independent variable elements used to explain environmental factors are categorized into three. These are market/industry concentration, dynamic environment and environmental munificence. The other variable elements under the category of the independent variable that are used to measure the resource construct of the textile factories in this study are grouped into two again i.e. low and high slack discretionary resources. The dependent variable is related to the business level strategies of textile factories in Ethiopia.

To operationalize the business level strategy, the researcher used the generic strategies identified by Porter (1980) and the one which is empirically tested by Hambrick and Lei (1985). Thus, in this study the business level strategy can be captured in terms of low cost leadership, scale/scope and differentiation taking into account the classification schemes of the previously mentioned authors. Simply, the overall framework which addresses the three research gaps mentioned previously i.e. determinants and dimensions of business level strategy in some textile factories in Ethiopia are clearly depicted in the given below figure.

Therefore the **low cost position** of a business firm can be captured by using the realized cost efficiency and asset parsimony strategy. The realized cost efficiency strategy of firms which is a key variable element in the business strategy construct is can be measured by dividing the cost of goods sold to total sales.

Differentiation - **e**stablished firms have brand identification and customer loyalties due to past and present advertising, product design, servicing, distribution, or simply to their being first into the industry. It tends to reduce the price sensitivity (elasticity) of demand for the products by creating buyer preferences (Hemmasi, 1983).. This variable is primarily operationalized by the ratio of a firm's primary industry's advertising expenditures to the value of sales.

Scale/scope strategy is captured in terms of export intensity. Export intensity measures the degree of internationalization or the scope of activities in which a firm aspires to achieve. It is computed as a ratio of export sales to total sales and used as a proxy factor to capture the scale/scope strategy of a business firm in this study (Hambrick & Lei, 1985). This strategy variable element is measured either as a ratio of market share of the firm to total sales or a ratio of export sales to total sales of a given firm. However, the researcher chooses the export to sales ratio so as to measure the scale (niche) strategy of textile factories.

Environment is an elusive and key construct that has different dimensions in the strategic management discipline. However, what constitutes the environment depend on the purpose of the study, empirical traditions pertaining to the relationships, the theoretical lenses employed and other practical contexts. This research considers the environmental munificence and competitive environment dimensions of the external environment taking into account the positioning school of thought (Porter, 1980). Therefore, the variable elements of the industry environment, their measurements and operational definitions are briefly explained as follows.

Industry/Market Structure Construct - according to Industrial organizational literature industry market structure as a construct is conceptualized and operationalized using different proxy factors but industry concentration rate and growth in demand are the main ones (Hammasi, 1983). In this regard, the proponents of organizational theory squarely rest on the perception of managers so as to measure the characteristics of the environment. Their line of argument is grounded on the issue that an organization responds not to the actual environment but rather to the environment that is perceived by managers (Child, 1972). In other words, it is only through managerial perception that environment becomes meaningful for decision makers. As such objective reality of the physical environment is less important in determining the way organizations are designed or managed.

The first variable element in the environment construct is environmental munificence. It describes the capacity of the environment to support organizations in the market place. Growth in demand in an industry's product is often described as environmental munificence (Kotha & Nair, 1995). Growth in demand is an important proxy variable used to measure the industry market structure. In a high growing industry there are enormous opportunities for earning higher profits using well crafted and executed strategies. Slow growing industries have little or no potential for profit thus the strategy of the firm need to be suit the nature of the growth of demand (Hemmasi, 1983). It is measured in terms of industry's growth rate which is expressed in terms of change in gross national product. The second aspect of the external environment that is used in this study is dynamic environment which measures the extent in which the environmental factors are changing.

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*The Resource Construct - r*esource is anything which could be thought of as a strength or weakness of a given firm. Resources have a significant effect to enabling a firm to conceive and develop it strategy configuration. In other words, the more resources the better the ability of the firm for a strategy that fit better market demand and results in higher customer utilities. The resource position of a firm is the key determinant factor for the choice and use of advantage generating strategy (Ouedraogo, 2007). The resource construct can be expressed in terms of different variable elements and different names like competence, capability and dynamic capability). However, in this study, the researcher uses the generic construct resources keeping in mind the purpose of the study and the context of the sector. Therefore, the variable

elements that are used in order to measure the resource construct are categorized in to two i.e high and low discretionary slack resources.

High-and-low discretionary slack resources are the proxy factors used to measure the resource construct in this study. The study chooses to employ the current ratio and debt to equity ratio respectively to calculate low and high discretionary resources of textile factories in Ethiopia. Primarily, these ratios were adopted due to their popularity within slack resource research. Keeping slack resources may lead to firm inefficiency.

5. RESULTS AND DISCUSSIONS

This part of the study is concerned with the analysis of the determinants of business level strategies with respect to the environment and resource conditions of some textile factories in Ethiopia. Business level strategy and its linkage with the external environment and internal environment (resources) have a long research tradition though it has context specific and methodological limitations. Besides, even though research undertaking on this area is common there is lack of consistency in most of the empirical findings. Therefore, this section of the research attempted to analyse the environment and resource determinants of business level strategies in some textile factories of Ethiopia.

Business level strategy can be thought of as a key construct in the strategic management literature. It can be captured in terms of different proxy variables like innovation, market responsiveness, price, quality and scale on the basis of its context and empirical traditions. In this study, the variable elements of business level strategy were selected by taking into account empirical traditions and theoretical context of the study. The theoretical classifications of Porter and the empirical classifications of Hambrick and Lie were used so as to select the key indices of business level strategy. Hambrick and Lei (1985) applied four different proxy factors to measure the business level construct, which is an extended and modified form of Porter's (1990) theoretical classifications of the business level strategies work. These are cost efficiency, asset parsimony, differentiation, and scale/scope.

This research is, therefore, tried to investigate the determinants of the business level strategies of textile factories in Ethiopia from organizational theory, market structure and resource based theoretical lenses. In other words, the research is geared to address the determinants of business level strategies of textile factories in Ethiopia both from an inside-out and outside-in perspectives. To do so, ten years data which ranges from the year 2007/8-2016/17 were collected from the company, CSA and ETIDI.

The analysis of this study was made using the ten years data collected form the textile factories in a case by case fashion. To make the data suitable for analysis, statistical tests such as normality of data, multicollinearity, correlation, autocorrelation and were made. To analyses the data, the researcher used the ordinary least square model. This model is favored and deployed because it is convenient to examine the dynamic long term relationship between the selected variables.

The estimation of the coefficients of regression, coefficient of determination, Pearson correlation coefficient and other relevant test statistic results were made in a case by case fashion for the following hypotheses. The hypotheses are (1) There is a negative relationship between industry concentration and business level strategy expressed in terms of cost efficiency and asset parsimony, (2) There is a positive relationship between environmental munificence and business level strategy expressed in terms of efficiency as well as asset parsimony, (3) There is a positive relationship between high discretionary slack resource and business level strategy expressed in terms of efficiency and asset parsimony, and (4) There is a negative relationship between low discretionary slack resource and business level strategy expressed in terms of efficiency and asset parsimony.

Correlation Analysis of Environment and Resource Related Factors against Low Cost Leadership Strategy (Case A)
For testing the formulated research hypotheses between the variable elements of business level strategies and its key determinants the Pearson correlation coefficient test was used. The Pearson correlation coefficient is the most appropriate method to test the correlation between numerically expressed independent variables (like high and low discretionary slack resources, market concentration, and environmental munificence) and the dependent variable (the variable elements of business level strategy - asset parsimony and cost efficiency). In other words, the Pearson Correlation Coefficient test is a parametric test and it is commonly used to measure the magnitude and direction of relationship between two or more continuous variables.

Table 1: Pearson Correlation Analysis (Case A)

	CI	DE	EM	ICR	HDSR	LDSR
CI	1					
DE	-0.897	1				
EM	0.527	0.499	1			
ICR	-0.047	0.001	0.738	1		
HDSR	-0.662	0.645	0.747	0. 571	1	
LDSR	-0.601	0.645	0.433	-0.154	0.337	1

DM –Dynamic environment   2. EM- Environmental Munificence 3. ICR- Industry/Market Concentration rate   4. HDSR- High discretionary resources, 5.LDSR- Low discretionary slack Resources   6. CI -Capital Intensity   7. Dependent variable – asset parsimony (CI)

As it is shown in the above table, the Pearson correlation test results of the dynamic environment with low cost leadership strategy operationalized based on asset parsimony is (r =-0.897). This implies that the two variables are negatively correlated at 5 percent significant level. The result of the Pearson correlation coefficient also showed that low cost leadership strategy based on asset parsimony is correlated with environmental munificence and industry concentration rate. Whereas the correlations between the low cost leadership strategies captured in terms of asset parsimony with resource related factors i.e. high and low discretionary slack resources are negative and significant at a significant value less than 5percent.

Besides, the multicollinearity test using a pairwise comparison was made among the explanatory factors and the results indicated that the degree of relationship between the different set of the explanatory variables are less than 0.75 except one. This implies that there is no multicollineary problem between the independent variables except high discretionary slack resources and dynamic environment. In connection with this, the high discretionary slack resource is precluded from the model. In the same vein, the error of independence test or error of autocorrelation was checked using the Durbin Watson test (DW =1.789 less than 3.5) which is still in the acceptable range.

Asset Parsimony Strategy Effect of the Environment and Resources (Case A)

Theoretically it has been proved that environment related factors that can be can be captured in terms of environmental munificence, environmental dynamics and market concentration, and resource related factors operationalized based on low and high slack discretionary resources are determinant variables for a business firm that uses low cost leadership strategies of business firms. In the below given table, the relationship between the independent and dependent variables tested using regression analysis. Moreover, the adequacy of the model and the extent in which the independent variables could explain the dependent variable were tested. The results suggested that the model is adequate (F=17.925, α=0.008) and the degree that the explanatory variables to determine the variation on the dependent variable (asset parsimony) using adjusted R square is 60.4 percent.

Table 2: Elements of Environment and Resource related Factors against Asset Parsimony Strategy (Case A)

Sr.No	Variables	Standardized Coefficients (β)	t-value	Sig. Value
1	Constant	-0.027	1.214	0.026
2	ICR	0.689	3.034	0.039
3	HDSR	-0.471	-2.294	0.083
4	DE	-0.260	-1.262	0.275
5	EM	-0.454	-1.948	0.123
6	LDSR	-0.231	-1.888	0.131

Table 2, item 2, above indicates the relationship between industry concentration and asset parsimony. As it is clearly indicated in the same table, industry concentration rate (ICR) is significantly determining the asset parsimony strategy of the textile factory in Ethiopia. The result further suggests that there is a strong significant relationship between competitive environment captured in terms of industry concentration and low cost (asset parsimony) strategy captured in terms of capital expenditure. The coefficient of the explanatory variable i.e. industry concentration is (β=4.6). This implies that the change in the outcome variable i.e. asset parsimony is expected to be (β=4.6) associated with a unit change in the industry concentration rate at 5percent significant level. This means that the mentioned variable is a key input factor to explain the low cost leadership (asset parsimony) strategy of the case company in Ethiopia.

With regard to this, different scholars found similar results even in different economic contexts. For instance, the research outcomes of Leonard confirmed the existence of positive significant relationship between industry concentration and business level strategy of firms. Similarly, Bridoux (2004) found out that the strategy of a firm in particular and its performance is determined by the competitive environment in which the firm operates and its resources. Here, he revealed that both supply side (resource) and demand side (product market) factors are key determinants to explain the choice and use of any strategy and its result implications. The finding of this research is, therefore, consistent with the work of other scholars as it is indicated above.

Item 3 of table 2 above clearly shows the effect of high discretionary slack resources (HDSR) in the low cost leadership strategy of a firm which is captured in terms of asset parsimony. As it is indicated in the mentioned table above, there is statistically significant association between environmental munificence and low cost leadership strategy of the case company at 5 percent significance level. In other words, the hypothesis which is stated as "there is a significant relationship between high discretionary slack resources and low cost leadership strategy based on asset parsimony" is supported by the data and thus the null hypothesis is rejected. This implies that the company can conceive and implement a successful low cost strategy which pronounces the highest degree of asset utilization (asset parsimony) by considering slack resources of the firm. This is because a unit change in the high discretionary slack resources could generate a -0.046 change in the degree of utilization of assets (asset parsimony).

This research finding is also consistent with the work of Wernerfelt (1984). His finding suggests that the strategy choice and change of a business firm to earn a competitive advantage is explained by its resource and market position. Wernerfelt confirmed that the two environments are complementary and important to explain the strategy and performance of a firm. His findings suggested that effect of the external and the internal environment accounts 19 percent and 37 percent respectively on the strategy and performance of a business firm.

Table 2, item number 4 and 5 clearly reflects regression model results of the relationship between environment related factors and low discretionary slack resource against the low cost strategy (in terms of asset parsimony) of the case company. However, the nature of relationship that is expected between EM and LDSR against asset parsimony is not supported by the data used in this research. The significant value of the t-test is more than 5percent which is insignificant. In other words, the predictor variables i.e. EM, DE and LDSR did not make significant contribution to the predicted or outcome variable i.e. asset parsimony. Therefore, the alternative hypotheses i.e. "there is a significant association between EM/ED/ LDSR and asset parsimony" is rejected.

Cost Efficiency Effect of Environment and Resources   (Case A)

The below given table shows the regression analysis (using an OLS model) results on the relationship between environmental munificence, market concentration, high and low discretionary slack   resources against low cost leadership strategy of a firm. The causal link between the cost efficiency variable elements of low cost leadership strategy against environment and resource related factors were tested using regression model. On top of this, the adequacy of the model as well as the extent in which the independent variables explain the dependent variable that is cost efficiency is tested using F-test statistic and adjusted R square respectively. The F test statistic which is significant at 10 percent level of error tolerance (F =56.687, α= 0.001) proved that the model is adequate enough to carry out the regression test. In the same vein, the model adequacy test measured using the adjusted R square result proved that the explanatory factors that are included in the model to explain the dependent variable is 79.3 percent.

Table 3 Elements of Environment and Resource related Factors against Cost Efficiency Strategy (Case A)

Sr.No	Variables	Standardized Coefficients (β)	t-value	Sig. Value
1	Constant	-0.230	-2.091	0.015
2	DE	0.639	5.437	0.006
3	EM	0.393	2.958	0.042
4	ICR	0.619	4.777	0.009
5	HDSR	-0.801	-6.840	0.002
6	LDSR	0.462	6.612	0.003

Items 2 and 3, Table 3 above, indicates the regression model result of the relationship between the aspects of the external

environment (dynamic Environment and environmental munificence) and low cost leadership strategy (captured in terms of cost efficiency) of the case company at 5percent significant level. The coefficient of environmental munificence and the corresponding p-value are (β=0.393) and (α=0.042*) respectively suggesting that a unit change in the independent variable could result in 0.393 units change in the dependent variable. This implies that the data has given the researcher the confidence to reject the null hypothesis and provides support for the alternative hypothesis i.e. there is a positive significant relationship between environment munificence and cost efficiency in the case company. Likewise, the effect of the dynamic environment on the cost efficiency strategy of the textile firm is statistically significant at 5 percent level of error tolerance.

Regarding this, extant researches revealed that the generosity and supportive nature of the external environment is a good predictor of strategy (Spasova et al., 2012). Therefore, the finding of this study is consistent with the findings of prior researches. Besides, Sougata (2004) found that environmental munificence and environmental dynamic have a significant effect on the strategy and performance of firms.

Pertaining to the relationship between industry concentration (ICR) and cost efficiency (CE), the finding of the regression model indicated that there is statistically significant relationship between these two variables. The significant level for this relationship is less than 5 percent suggesting that the alternative hypothesis i.e. "there is a significant positive relationship between competitive environment captured in terms of industry concentration and cost leadership strategy captured in terms of cost efficiency" is not rejected. This finding is inconsistent with Homburg et al., (2002) which affirmed that the competitive intensity that exists in a given market has no significant contribution to business strategy. The finding of this study is consistent with the research outcomes of some other studies (Porter, 1990; Bridoux, 2004). For instance, the findings of Bridoux (2004) suggested that both organizational elements and competitive environment are clearly important in shaping the strategy and performance of firms. Besides, Porter (1990) argued that the economic dimension of strategy i.e. conduct is determined by the structural driven market power of the firm. To Porter conduct (the economic dimension of strategy) is mainly explained by market structure.

Item 5, Table 3 clearly depicts the regression results of the causal link between high discretionary slack resource (HDSR) and cost leadership strategy that was captured in terms of cost efficiency (CE). Pertaining to this, high slack discretionary resource is significantly predicts the cost efficiency outcomes of the case company at a significant level of 5 percent. Furthermore, the result in this study shows that there is negative relationship between high slack resources and cost efficiency. This implies that a high slack discretionary resource adversely affects the cost efficiency strategy of the case company. In this connection, Ouedraogo (2007) in his finding confirmed that firms must establish strong resource position to formulate and implement cost advantage generating strategy.

Besides, this finding is consistent with the empirical evidences of other researchers. For instance, scholars in the field depicted that the resources of a firm are a key determinant factor that demand the curiosity of strategic managers while they chose and use a strategy (Wernerfelt, 1984; Bridoux, 2004). They even suggested that the resources of a firm should be at the heart of a competitive strategy. This is due to the fact that resources have a rent-producing potential and a resource with a sustained rent producing potential are referred to as a key determinant factor to the strategy of a firm.

Table 3, item 6, depicts the result pertaining to the causal link which was expected between low discretionary slack resources (LDSR) and cost efficiency (CE). As it is clearly shown above, the causal association between low discretionary slack resources and cost efficiency is insignificant suggesting that the data didn't give enough confidence to reject the null hypothesis. In other words, the alternative hypothesis i.e. "there is a strong positive relationship between low discretionary slack resources (LDSR) and cost leadership strategy operationalized in terms of cost efficiency (CE)" is not proved to be true. This implies that the data did not provide adequate support to reject the null hypothesis and not to reject the alternative hypothesis.

Correlation, Multi-collinearity and Error Autocorrelation Tests (Case C)

The table below clearly depicts the correlation test results between dynamic environment, environmental munificence, market concentration, and high/low discretionary slack resources of the firm against differentiation strategy based on advertising intensity. Moreover, the Pearson correlation, pairwise comparison of multi-collinearity test and Durbin Watson error autocorrelation test results were properly analyzed and interpreted accordingly under the table below.

Table 4 Pearson's Correlation Test Results (Case C)

	AI	DE	EM	ICR	HDSR	LDSR
AI	1					
DE	-0.428	1				
EM	-0.787	0.703	1			
ICR	-0.621	0.681	0.675	1		
HDSR	0.071	0.760	0.249	0. 004	1	
LDRS	0.234	0.215	-0.261	-0.300	0.575	1

As it is shown in the above table, the Pearson correlation test results of the dynamic environment with advertising intensity is (r =-0.428). This implies that the two variables are negatively correlated at 5 percent significant level. The result of the Pearson correlation coefficient also showed that differentiation strategy based on advertising intensity was negatively correlated with environmental munificence and industry concentration rate. Whereas the correlations between the differentiation strategies captured in terms of advertising strategy with resource related factors i.e. high and low discretionary slack resources are positive and significant at a significant value less than 5percent. In addition, the multicollinearity test using a pairwise comparison was made among the explanatory factors and the results indicated that the degree of relationship between the different set of the explanatory variables are less than 0.75 except one. This implies that there is no multicollineary problem between the independent variables except high discretionary slack resources and dynamic environment. In connection with this, the high discretionary slack resource is precluded from the model. In the same vein, the error of independence test or error of autocorrelation was checked using the Durbin Watson test (DW =1.789 less than 3.5) which is still in the acceptable range.

Differentiation Strategy Impact of Environment and Resources (Case C)

The relationship between environment and resources against differentiation strategy is investigated by different scholars using different parameters. In this research, the differentiation strategy of firms is operationalized in terms of market responsiveness i.e. by measuring the intensity of advertising made. Whereas the environment construct can be captured in terms of environmental munificence, environmental dynamism and industry concentration rate. The last major construct which is resources can be operationalized using two proxy factors i.e. high and low slack discretionary resources. Regarding this, a regression test was made and the results are presented and analyzed in the table given below.

However, the researcher measured the adequacy of the model and the degree of variation that the explanatory factors will cause on the outcome variable (advertising intensity). Accordingly, the adequacy of the model which is measured using F-test statistic (F=3.601, α= 096) is significant at 10% level of significance. Moreover, the adjusted R square clearly shows that 53.6 % of the variation of the dependent variable is due to the explanatory variables included in the model. The rest 46.4% of the variation on the dependent variable may be caused by chance factor or variables that are not included in the model.

Table 5 Elements of Environment and Resource related factors against Advertising Intensity strategy (Case C)

Sr.No	Variables	Standardized Coefficients (β)	t-value	Sig. Value
1	Constant	-0.080	-0.411	0.006
2	ICR	0.543	3.168	0.029
3	DE	0.495	1.423	0.214
4	LDSR	-0.332	-1.089	0.326
5	EM	-1.457	-2.929	0.032

Table 5 above depicts the results of the ordinary least square model that was used to test the relationship between advertising intensity (a proxy factor to capture differentiation strategy) against environment and resource related variables. As it is clearly shown in the above given table, industry concentration is found to be a significant determinant of the differentiation strategy of the case company. Thus, the alternative hypothesis – "there is a significant association between competitive environment that can be captured in terms of market/ industry concentration and differentiation strategy i.e. operationalized in terms of the advertising intensity is proved to be true. This implies that structure driven

market power (i.e. captured by market concentration) is a significant determinant variable for a business firm which conceives and implements differentiation strategy. In other words industry concentration rate is a significant contributor for the fruitful differentiation strategy choice and change of the company. In this regard, extant literature also confirmed the prevalence of a significant association between advertising intensity and industry concentration (Anwar, 2014). Thus, one can say that the finding of this study is consistent with the research findings of other scholars in the field of strategic management.

Item 3, of table 5 is about the result of the regression test result with regard to the association between dynamic environment and differentiation strategy measured in terms of advertising intensity. However, the result clearly shows that environmental munificence as a determinant of differentiation strategy is not well supported by the data used in this particular study. In other words, the data used in this study are not adequate enough to reject the null hypothesis i.e. "there is no significant association between dynamic environment and differentiation strategy captured in terms of advertising intensity."

Table 5, item 4, shows the result of the regression test result pertaining to the relationship between low discretionary slack resources (LDSR) and advertising intensity (AD) is statistically insignificant. This implies that the data didn't provide adequate support to confirm the issue that low discretionary slack resources is a determinant variable for differentiation strategy that can be captured in terms of advertising intensity in the case company. The findings of this study suggested that the change in the intensity of advertising to affirm the market responsiveness propensity of textile factories may not be induced by low slack discretionary resources.

Item 5, table 5, is related to environmental munificence and its relation with advertising intensity. The relationship between environmental munificence and differentiation strategy (i.e. operationalized in terms of advertising intensity) is significant at 5 percent error of tolerance. In other words, the hypothesis "there is a significant association between environmental munificence and differentiation strategy of firms captured in terms of advertising intensity" is well supported by the data. Thus, the data proved that the alternative hypothesis is true. This finding is consistent with the research outcomes of Porter (1990).

Correlation, Multi-collinearity and Autocorrelation (Case E)

The correlation, multicollinearity and autocorrelation test results and their corresponding interpretations are indicated in the proceeding sections. The correlation test was made using Pearson correlation coefficient which is appropriate for continuous variables. Whereas the multicollinearity and autocorrelation problems of the data were measured using pairwise comparison and Durbin Watson tests respectively.

Table 6: Pearson Correlation and Multi-collinearity Tests (Case E)

	AI	DE	EM	ICR	HDSR	LDSR
AI	1					
DE	0.912	1				
EM	0.551	0.424	1			
ICR	0.078	0.001	0.775	1		
HDSR	0.151	0.335	-0.173	-0. 488	1	
LDRS	-0.550	-0.555	-0.361	-0.049	-0.646	1

The table above clearly shows the Pearson correlation result of advertising intensity of the case company against dynamic environment, environmental munificence, industry concentration, high and low slack discretionary resources. The test result indicated above proved that there are very strong significant correlation between dynamic environment and the intensity of advertising made by the firm. The correlation test results of industry concentration and high slack discretionary resources against advertising intensity are also significant at 5 percent significant level. A significant moderate correlation exist between the environmental munificence and low discretionary slack resources of the case company against advertising intensity at 5 percent significant level. Moreover, multicollinearity tests among the explanatory factors were made and the results which are less than 0.75 suggested that there is no multicollinearity problem. To measure the problem of error autocorrelation among the disturbance terms Durbin Watson test was made and the result of the test (2.294) confirmed that there is no error autocorrelation.

Differentiation strategy, Environment and Resource Related Factors (Case E)

In the below given table, the results of the regression test that measures the relationship between advertising intensity (a proxy factor to capture differentiation strategy) against environment and resource related variables were clearly presented and analyzed. The study attempted to measure the adequacy of the model and the degree of variation that the explanatory factors could result in on the outcome variable using F-test statistic and adjusted R square respectively. On the basis of the F test statistic, the model is adequate (F=17.427, α=0.008) so that the regression test can be carried out. Likewise, the independent variables have around ninety percent (R2= 90.1%) capacity to explain the dependent variable element.

Table 7 Elements of Environment and Resource related factors against Advertising Intensity (Case E)

Table 7, item 2, above shows the regression test result of the relationship between dynamic environment and advertising intensity. As it is clearly shown in the same table dynamic environment is a significant determinant of the differentiation

Sr.No	Variables	Standardized Coefficients (β)	t-value	Sig. Value
1	Constant	0.330	1.307	0.261
2	DE	0.684	4.557	0.010
3	EM	0.481	2.096	0.104
4	ICR	-0.541	-2.375	0.076
5	LDSR	-0.472	-2.508	0.066
6	HDSR	-0.329	-1.780	0.150

strategy of the case company. In other words, the alternative hypothesis which dictates the significant association between dynamic environment and differentiation strategy i.e. operationalized in terms of the advertising intensity is not rejected at 5 percent significant level. This implies that a unity change in the dynamic environment could result in 4.167E changes in the differentiation strategy of the firm.

Regarding the cause effect relationship between environmental munificence and advertising intensity, table 5.12, item 3 above depicted that the relationship between these two variables is insignificant. This implies that the data used in this study regarding this particular case is not adequate enough to support the alternative hypothesis. Therefore, the alternative hypothesis i.e. there is a significant positive association between environmental munificence and advertising intensity is not proved to be true at 5 percent significant level. This finding is consistent with previous research works of other scholars too.

Table 7, item 4, above shows the result of the multiple regression model with regard to the association between industry concentration and differentiation strategy captured in terms of advertising intensity. The regression test result shows that there is a statistically significant relationship between industry concentration and advertising intensity at 10 percent significant level. In other words, the data used here are adequate enough to reject the null hypothesis and not to reject the alternative hypothesis i.e. industry concentration significantly determines the differentiation strategy (advertising intensity) of the firm.

Regarding the relationship between low discretionary slack resources with advertising intensity of the firm, as it is indicated in item 5 of table 7, the test result is significant at 10 percent tolerance level. This implies that low discretionary slack resources can be a key determinant factor in the choice and use of differentiation strategy (based on advertising intensity) of the case company.

Item 6, table 7 is related to high discretionary slack resources (HDSR) and its relation with advertising intensity. The relationship between high slack discretionary resources and differentiation strategy (i.e. operationalized in terms of advertising intensity) is still insignificant. In other words, the hypothesis "there is a significant association between low slack discretionary resources and differentiation strategy of firms captured in terms of advertising intensity" is not well supported by the data.

Scale Strategy, Environment and Resource Related Factors (Case E)

The determinants of scale strategy which is captured in terms of export intensity of the case company were figured out using a regression model and the results of the test are clearly shown in the below given table. On top of this, the adequacy of the model and the extent to explain the dependent variable by the independent factors were deployed using

the appropriate tools. Regarding this, the researcher used the F-test statistics (F=19.062,, α=0.007) to measure model adequacy at 5 percent significant level and adjusted R square (R2= 90.9%) was used to measure the degree of variation on the outcome variable (export intensity) based on the explanatory factors.

Table 8: Elements of Environment and Resource related factors against export intensity (Case E)

Sr.No	Variables	Standardized Coefficients (β)	t-value	Sig. Value
1	Constant	0.537	2.807	0.048
2	DE	0.109	0.759	0.490
3	EM	0.866	3.940	0.017
4	ICR	-0.676	-3.095	0.036
5	LDSR	-0.144	-0.796	0.471
6	HDSR	-0.572	-3.231	0.032

Item 2, table 8, above clearly shows the regression result with regard to the relationship between dynamic environment and scale base on export intensity of the case company. The result of the test suggested that there is no statistically significant association between dynamic environment and export intensity for the case company. In other words, the data are not adequate enough to support the alternative hypothesis i.e. there is a significant negative linkage between dynamic environment and scale strategy based on export intensity of the textile factory.

With regard to item 3 of table 8 which clearly indicates the test result of the hypothesis -"there is a positive association between environmental munificence and scale strategy in terms of export to sales ration of textile factories in Ethiopia." The result suggests that environmental munificence is positively correlated with scale strategy of textile factories in Ethiopia at 5 percent significant level.

Table 8, item 4 shows the result of the regression test pertaining to the relationship between industry concentration and scale strategy measured based on export to sales ratio of the textile factory in Ethiopia. On top of this, the result proved that there is a statistically significant relationship between industry concentrations and export intensity of the case company. Thus, the hypothesis "industry concentration is negatively correlated to scale strategy measured in terms of export to sales ratio as indicated in the table above is proved to be true. Thus, a unit change in market concentration could result (β= -0.676) changes in the export intensity strategy of the firm under study.

Item 5, table 8, clearly indicate the relationship between low slack discretionary resources and export intensity of the textile factory. Regarding this, there is no statistically significant relationship between the two variables at 5 percent significant level. This implies that the export intensity strategy of a firm could not be significantly affected by the low discretionary slack resources of the firm. In other words, a unit change in low discretionary resources will result in an insignificant change in the intensity of export for the textile factory.

The last item in this same table shows the test result of the relationship between high discretionary slack resources and scale strategy based on export intensity of the firm. Pertaining to this issue, there is statistically significant relationship between high discretionary slack resources and scale strategy (based on intensity of export) of the firm. This means that the alternative hypothesis – "there is positive significant association between high slack discretionary resources and scale strategy based on export intensity"- is proved to be true based on the data that were used in this study. In other words, the data used in this particular case study was adequate enough to reject the null hypothesis.

6. CONCLUSIONS

The study shows the relevance of both environment and resource based views as valuable theoretical frameworks in identifying the determinants of business level strategies in the context of developing countries.

- The resource position of textile factories in Ethiopia is a key factor in the making and working of cost efficiency strategy for case company A, and E. It also plays a crucial role in determining the profit performance of the textile firms. In clearer terms, the resource position of a business unit has a direct and indirect effect on the profit performance of the above mentioned textile factories in Ethiopia. Thus, strategy is a key construct shaped by the firm's resources which in turn has a direct impact on performance. In other words, the availability of resources at the

firm's disposal enables them to achieve a cost advantage over rivals. The country has an enormous potential for production of the main raw material i.e. cotton and a large size of inexpensive labour market which has a significant contribution to cut down the cost structure of the textile factories in Ethiopia.

The findings of the study with regard to case company A have been proved that environmental related factors that can be captured either in terms of environmental munificence or dynamic environment are key variables to explain the low cost leadership strategy of the mentioned firm on the basis of asset parsimony. To be more specific, the mix and utilization of the available resources as per the procedures of their respective unit to generate a cost advantage over rivalries are mainly affected by the aspects of the external environment i.e dynamic environment and environmental munificence.

- Scale or scope measures the relative size and range of activities of a business within its industry. Export sales with in an industry are used to capture realized scale/scope dimensions of business level strategy. The findings of the study clearly show that scale strategy based on export intensity can be affected by dynamic environment and environmental munificence for the cased company E. Besides, industry concentration rate a key factor to determine the making and working of scale strategy based on export intensity for case company E. On top of this, low discretionary slack resource is a significant factor to determine the export intensity variable of the scale strategy.

- The differentiation strategy based on advertising intensity is explained by dynamic environment and environmental munificence for the case company E. Moreover, industry concentration is a key variable element to explain the advertising intensity of case company C, and E. In other words, the effects of the aspect of the external environment and competitive environment have determined the advertising intensity variable element of differentiation strategy of the mentioned firms.

- In general, the results of this study showed that the determinants of business level strategies in the textile sector rests squarely on both an in-ward and out-ward focused factors. In other words, environment, market structure and resource related factors are found to be key determinants for a business unit while it conceives and executes a business level strategy. This issue absolutely conforms to the principles of market and resource based theories that were commonly deployed in the developed economy contexts.

7. RECOMMENDATIONS AND LIMITATIONS OF THE STUDY

Based on the findings of the study and the conclusions drawn the following recommendations and limitations were given:

Industrial policy makers had better use the findings of this study as valuable guidelines while devising industrial policies related to the textile sector. The observed significance of environmental munificence and strategy on performance would help policy makers in creating an attractive environment to support firms that were pursuing a viable long term strategy. Thus, policy makers can take the most relevant variable elements that have a positive or adverse effect on the performance of textile firms while framing the national industrial policy to create a pretty generous and supportive environment. The policy environment can play a magnificent role by supporting the textile sector either to exploit opportunities or mitigate threats. In this connection, the following initiatives may be taken by the government:

- The government of Ethiopia considered the industry as one of the most priority sector in its development strategy. It had better exert concerted policy efforts to create a conducive environment for the sector. This can be done by executing and providing the following key intervention measures - training, consultancy services, credit facilities and other physical premises to the industry captains in a one stop-shop fashion. These interventions help the industry actors to improve their knowledge with regard to the process of strategy analysis and execution - without knowledge the strategy will not be tailored towards the specific circumstances of the company.

- Industry captains had better understand both external and internal factors, and more importantly, understanding the relationships among them, will be the key to effective strategy formulation. Because both external and internal factors continually change, strategists seek to identify and take advantage of positive changes and buffer against negative changes in a continuing effort to gain and sustain a firm's competitive advantage. A strategy should not only be judged by internal company factors but also by the way customers see it relative to the competition. Thus, managers had better know how to be successful with respect to market circumstances, resources and their strategy.

- This study is confined to address issues related to the determinants of the textile factories from an inside out perspective. However, the personal characteristics of management, social and political factors were not included in this study. The reasons not to include the mentioned constructs in this study the following. Firstly, the researcher found out some variables that are conceptually clear but they are too difficult to measure them empirically. For instance, the strategist's values and preferences, risk taking propensity, power and relationship, social and political factors that might have a positive or adverse effect at the time of strategy change and choice. Thus, in the future researchers are advised to fill such a research gap accordingly.

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