

**EFFECT OF GLOBAL SOURCING PRACTICES ON  
OPERATIONAL PERFORMANCE OF TEXTILES AND APPARELS  
MANUFACTURING FIRMS IN KENYA.**

**BY**

**SIMON FENDO**

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## DECLARATION

### Declaration by the Student

This Research project is my original work and has not been submitted for the award of a degree in any other university.

Signature: .....

Date: .....

**Simon Fendo**

**D61/64648/2011**

### Declaration by the supervisor

This research project has been submitted for examination with my approval as the University Supervisor.

Signed .....

Date .....

**Mr. Kingsford Rucha**

Lecturer,

Department of Management Science,

School of Business

University of Nairobi

## **DEDICATION**

This study is dedicated to my family for their love, support and encouragement.

## **ACKNOWLEDGEMENTS**

The journey to completion of this course has been challenging and inspiring at the same time. The successful completion of this study has been achieved by combined efforts of some other people who helped me with their various talents, instructions, experience and above all their valuable time. I wish to express my sincere gratitude to the following individuals who in one way or another gave me valuable support during the study;

I thank our Almighty God for his grace and sustenance that has seen me complete this course successfully. I want to return praise to him for the free life he has given me, wonderful opportunities that I have had, the knowledge to share with others and the strength to write this research project. My sincere appreciation is extended to my family members for being patient with me during the entire study period.

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## **ABSTRACT**

Global sourcing is regarded by many companies as an important measure to enhance competitive advantages particularly in today's globalized economy. The objectives of the study are to determine the global sourcing practices adopted by Textiles and Apparels manufacturing firms in Kenya, to find out the effect of global sourcing practices on operational performance of Textiles and Apparels manufacturing companies in Kenya and to establish the challenges of adopting global sourcing practices by Textiles and Apparels manufacturing companies in Kenya. The study is anchored on three theories namely resource based theory, resource dependency theory and the theory of comparative advantage. The global sourcing practices under study are contract manufacturing, off shoring, global sourcing, dual sourcing and E-procurement. The study adopted a cross-sectional census survey design. The population of this study comprised of 63 Textiles and Apparels manufacturing firms. This study used primary data collected by the use of a structured questionnaire. The questionnaire was administered using drop-and- pick-later method. The data collected was cleaned, validated, and edited for accuracy, uniformity, consistency and completeness. Descriptive statistics was used to determine the global sourcing practices adopted by Textiles and Apparels manufacturing firms and the challenges they faced in adoption. To find out the effect of global sourcing practices on operational performance of Textiles and Apparels manufacturing firms a regression analysis model was used. The study found out that dual sourcing was the most adopted practice followed by E-procurement and then global outsourcing. The least implemented global sourcing practice was off shoring. The companies however practiced at different levels all the global sourcing practices of contract manufacturing, off shoring, global outsourcing, dual sourcing and E-procurement. The study found that global outsourcing, dual sourcing, E-procurement, off shoring and contract manufacturing have a positive but not a significant effect on operational performance. This is because the P-value is not less than 0.005. The study also concludes that the capability of suppliers; the level of internet access by small suppliers and the type of international trade laws and practices are the main challenges affecting adoption of global sourcing practices. The other factors challenging adoption of global sourcing include existence of tariffs and non-tariff restrictions, culture and language differences, the nature of global logistics, the level of top management support and resistance to change. The researcher recommends that the Textiles and Apparels manufacturing firms in Kenya should adopt global sourcing practices in contract manufacturing, off shoring, global sourcing, dual sourcing and E-procurement. Another recommendation is for governments to have clear cut duty and reduced charges and to put conducive policies in place that will ensure that more global sourcing for textiles and apparels manufacturing companies is more fruitful.

## TABLE OF CONTENT

<b>DECLARATION .....</b>	<b>II</b>
<b>DEDICATION .....</b>	<b>III</b>
<b>ACKNOWLEDGEMENTS.....</b>	<b>IV</b>
<b>ABSTRACT .....</b>	<b>V</b>
<b>LIST OF TABLES.....</b>	<b>IX</b>
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 BACKGROUND OF THE STUDY .....	1
1.1.1 Global Sourcing Practices.....	2
1.1.2 Global Sourcing Practices and Operational Performance.....	3
1.1.3 Textiles and Apparels Manufacturing Sector in Kenya .....	4
1.2 RESEARCH PROBLEM .....	5
1.3 RESEARCH OBJECTIVES.....	6
1.4 VALUE OF THE STUDY .....	6
<b>CHAPTER TWO: LITERATURE REVIEW .....</b>	<b>8</b>
2.1 INTRODUCTION.....	8
2.2 THEORETICAL REVIEW .....	8
2.2.1 Resource Based Theory .....	8
2.2.2 Resource Dependence Theory .....	9
2.2.3 Theory of Comparative Advantage.....	9
2.3 GLOBAL SOURCING PRACTICES.....	10
2.3.1 Contract Manufacturing .....	10
2.3.2 Off shoring .....	11
2.3.3 Global Outsourcing .....	11
2.3.4 Dual Sourcing .....	12
2.3.5 Electronic Procurement.....	13
2.4 GLOBAL SOURCING PRACTICES AND OPERATIONAL PERFORMANCE.....	14
2.5 EMPIRICAL LITERATURE REVIEW.....	15
2.6 SUMMARY OF LITERATURE REVIEW.....	17
<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>19</b>

3.1 INTRODUCTION.....	19
3.2 RESEARCH DESIGN.....	19
3.3 POPULATION OF THE STUDY.....	19
3.4 DATA COLLECTION .....	19
3.5 DATA COLLECTION PROCEDURE.....	20
3.6 DATA ANALYSIS .....	20
<b>CHAPTER FOUR: DATA ANALYSIS AND FINDINGS .....</b>	<b>22</b>
4.1 INTRODUCTION.....	22
4.2 GENERAL INFORMATION .....	22
4.3 THE EXTENT OF ADOPTION OF GLOBAL SOURCING PRACTICES .....	23
4.3.1 Contract Manufacturing.....	24
4.3.2 Off Shoring .....	25
4.3.3 Global Outsourcing.....	25
4.3.4 Dual Sourcing .....	26
4.3.4 E-Procurement .....	27
4.3.5 Overall Adoption of Global Sourcing Practices .....	28
4.4 EFFECT OF GLOBAL SOURCING PRACTICES ON OPERATIONAL PERFORMANCE .....	29
4.5 CHALLENGES OF ADOPTING GLOBAL SOURCING PRACTICES .....	34
<b>CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS.....</b>	<b>36</b>
5.1 INTRODUCTION.....	36
5.2 SUMMARY OF FINDINGS .....	36
5.3 STUDY CONCLUSIONS .....	37
5.4 STUDY RECOMMENDATIONS .....	38
5.5 LIMITATIONS OF THE STUDY .....	39
5.6 SUGGESTIONS FOR FURTHER RESEARCH .....	39
<b>REFERENCES .....</b>	<b>40</b>
<b>APPENDICES .....</b>	<b>45</b>
APPENDIX I: QUESTIONNAIRE .....	45
APPENDIX II: WORK PLAN .....	50

APPENDIX III: RESEARCH BUDGET .....	51
APPENDIX IV: LIST OF TEXTILE AND APPAREL MANUFACTURING FIRMS IN KENYA.....	52



## LIST OF TABLES

<b>Table 4.1:</b>	Years of Experience	30
<b>Table 4.2:</b>	Descriptive Statistics of Contract Manufacturing	31
<b>Table 4.3:</b>	Descriptive Statistics of Off shoring	32
<b>Table 4.4:</b>	Descriptive Statistics of Global Outsourcing	33
<b>Table 4.5:</b>	Descriptive Statistics of Dual Sourcing	34
<b>Table 4.6:</b>	Descriptive Statistics of E-Procurement	35
<b>Table 4.7:</b>	Overall Adoption of Global Sourcing Practices	36
<b>Table 4.8:</b>	Regression Model Summary	37
<b>Table 4.9:</b>	Analysis of Variance	38
<b>Table 4.10:</b>	Regression Coefficients	39
<b>Table 4.11:</b>	Significance of Correlation between Individual Variables	40
<b>Table 4.12:</b>	Challenges of adopting global sourcing practices	41

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

Global competition has forced companies to devise and go after international purchasing strategies that aim at reducing cost and optimizing quality (Gianluca, 2007). This has made international purchasing strategies to be of significance as a key competitive factor for companies seeking globalization. Global sourcing is a corporate strategy aimed at the worldwide use of resources and materials. Modi and Schoenher (2011) assert that global sourcing involves integrating and coordinating materials, common items, processes, designs, technologies, and suppliers across worldwide buying and operating locations. It involves the global consolidation of sourcing requirements at the global level across the organization and the use of globally dispersed sources. Global sourcing is therefore considered by many companies as an important measure to enhance competitive advantages particularly in today's globalized economy (Jin and Kang, 2013).

A number of theories widely applied in global sourcing are significant to the current research. The specific theories adopted are resource based theory, resource dependency theory and the theory of comparative advantage. Resource based theory assert that ownership and control of strategic resources and capabilities determines which organizations will receive superior returns and enjoy a position of competitive advantage (Peteraf & Barney, 2003). The main reasons why firms undertake global sourcing is so that they can gain some kind of competitive advantage. Resource dependency theory is of the view that member firms in any process of production or service provision should collaborate with each other to achieve a higher performance in the long term instead of the short-term gains at the expense of others. Finally, comparative advantage theory tries to explain why nations should still be

involved in international trade and global sourcing even in circumstances where absolute advantage doesn't exist.

In Kenya, the manufacturing sector is one of the largest sector. The sector has 14 (Fourteen) sub sectors namely service and consultancy; building sector, mining and construction sector; chemical and allied sector; energy sector, electricals and electronics sector; food and beverages sector; leather and footwear sector; metal and allied sector; motor vehicle and accessories sector; paper and board sector; pharmaceutical and medical equipment sector; plastic and rubber sector; fresh produce sector; textile and apparels sector and timber, wood and furniture sector (KAM, 2016). As an important division in the overall economic growth, the manufacturing sector requires a comprehensive analysis at industry and firm levels.

### **1.1.1 Global Sourcing Practices**

Global sourcing has been identified as one of the greatest challenges for buying units in an organization (Steinle & Schiele, 2008). Trent and Monczka (2005) are of the view that global sourcing is a strategy for a buying unit seeking economies of scale through corporate-wide benchmarking and standardization. This calls for harmonization of processes, supplies, designs, technical knowledge, and suppliers across the globe.

A number of global sourcing practices can be adopted by a company. Tsuma (2014) revealed that the hotel industry practice three global sourcing strategies, being global outsourcing, contract manufacturing and international purchasing. The study by Haartman and Bengtsson (2015) identified specific practices such as supplier qualification system, supplier involvement in product design and supply chain integration. Gadde, Håkansson and Persson (2010) identified supplier involvement in product development as becoming increasingly anticipated in recent years due to a greater trend in outsourcing and focus on core

competence within organizations. Matthyssens, Quintens and Faes (2003) are also of the view that intense training of employees in global purchasing influences the development of international partnership relations and their overall efficiency and longevity. Other practices include global outsourcing, contract manufacturing, offshoring and dual sourcing. The current study will focus on contract manufacturing, offshoring, global outsourcing, dual sourcing and E-procurement.

### **1.1.2 Global Sourcing Practices and Operational Performance**

The use of geographically dispersed locations in global sourcing calls for inter-country and inter-continental transit of the purchased goods and services. Firms adopting global sourcing must deal with both the operational difficulties affecting international purchasing and the coordination of functions and locations spread across the globe (Trent & Monczka, 2005). Due to the fact that Purchasing accounts for the largest part of the overall costs in any organization, sourcing has become an important part of management (Monczka & Trent, 2003).

Firm's operational performance is measured against prescribed indicators of efficiency, effectiveness and environmental responsibility such as cycle time, productivity, regulatory compliance and waste reduction. It emphasizes the optimal use of available resources to maximize the output of the firm which results in low cost products and value to the customer because of waste reduction. The proper breakdown of the organization's cost into components impacts the total performance of the firm and this leads to continuous improvement of processes. (Prajogo & Goh, 2007) posit that measuring cost will allow the quality related activities to be demonstrated in the language of management. Operational performance also means improving on speed of service and product delivery. Improving on

speed enables an organization to be able to shorten the times between the service request and delivery.

Global sourcing is the best strategy for firms to reduce the costs of labor and gain access to modern technology and resources. The growth of technological advances has made it economically advantageous and feasible for firms to source from abroad (Rajeev & Narendar, 2005). A study by Jain, Girotra and Netessine (2014) found that the benefits of global sourcing include higher inventory performance and subsequently competitive advantage.

### **1.1.3 Textiles and Apparels Manufacturing Sector in Kenya**

The textiles and apparels sector in Kenya has the potential to move the country from low to middle income economy by solving the unemployment problem (AGOA,2012). The sector presents an opportunity for increased value capture, trade logistics and for building careers and skills right from technicians to managers. It is therefore a way to other manufactured goods which presents an opportunity for the country to get a share of increased global trade.

The issues that affect the manufacturing sector and by extension the specific subsectors like the textiles and apparels can best be addressed through global sourcing. ACTIF (2010) identifies the key factors to be dealt with at the national level to include low productivity levels, poor infrastructural conditions and high input costs, inefficient flow of goods and services and unfavorable business environment. This sector is appropriate for the study due to the fact that Vision 2030 has focused on textiles and apparels in the manufacturing sector to propel the economy to a growth rate of 10% and support the country's social development agenda through the creation of employment, attraction of foreign direct investment (FDI) and generation of foreign exchange.

## **1.2 Research Problem**

Global sourcing is a strategic procurement concept that forms the basis of total cost of ownership and permits the optimum alignment, management and control of the Organization's overall mission (Kharvi, 2010). In the recent past, there has been changing market conditions, radical changes in technology and intensified global competition which has increased the pressure to improve in the way businesses operate (Magenda & Iravo, 2014). As a result of this, global sourcing is proving a strategic weapon in cutting costs, establishing an efficient supply chain, improving quality and inspiring innovation.

Kenya's manufacturing sector contributes 9.2% of the Gross Domestic Product (GDP) and serves both the local market and exports to the Eastern Africa Region (KIPPRA, 2013). There's great potential for growth of the sector if the Government succeeds in implementing a number proposed strategies that include stepping up power supply, opening of the East African Community Customs Union, implementing treaties under the Common Market for East and Southern Africa, duty exemption for manufacturing machinery, manufacturing under bonds and removal of restrictions on foreign capital repatriations especially for subsidiaries of multinationals. This growth would facilitate the achievement of Vision 2030. This justifies the need for an in-depth study on the best way to improve the manufacturing business especially in the sub sector of textiles and apparels.

A number of studies have been done that are of significance to this work both locally and internationally. Han, Dresner and Windle (2008) found out that importing and exporting activities positively affect raw materials and finished goods inventory. Murray, Kotabe and Westjohn (2009) also found out that firms that strategically co-align sourcing strategy with knowledge-intensive business services (KIBS) features for each KIBS activity performs more

effectively than firms that lack such a co-alignment. In another study, Magara, Oloko and Nyang'au (2014) found out that a well-managed global sourcing strategy is beneficial to customers and firms because it is able to deliver high quality, flexibility, lower costs, improved delivery dependability and quick response time to customer orders. All these studies point to the significance of global sourcing in one way or another. It is important to note that the manufacturing sector is ever changing and each year the industry faces new challenges including regulation and traceability; product development and innovation; the manufacturing skills gap; healthcare costs; environmental concerns and considerations and the need to balance maintenance with throughput. The current study answers the question, "What is the effect of global sourcing practices on operational performance of Textiles and Apparels manufacturing firms in Kenya?"

### **1.3 Research Objectives**

The objectives for this study were:

- i. To determine the global sourcing practices adopted by Textiles and Apparels manufacturing firms in Kenya.
- ii. To find out the effect of global sourcing practices on operational performance of Textile and Apparels manufacturing companies in Kenya
- iii. To establish the challenges of adopting global sourcing practices by Textile and Apparel manufacturing companies in Kenya.

### **1.4 Value of the study**

First, the study adds value to the body of operational management discipline especially in the area of attaining lean management through effective supply chain management. By identifying the knowledge gap, the study forms a basis for future research. This research also

offers scholars a foundation into the emerging area of global sourcing as an operational efficiency mechanism in the wider concept of supply chain management.

The findings of this study will be useful when developing policy guidelines for making changes in the institutional frameworks and policy interventions. The study will be used as a basis of formulating policies in supply chain management particularly the area of sourcing. To the Government, the information will be helpful in developing favorable policies and regulations for local companies which intend to procure materials internationally as well as multinational companies that intend to source materials and labour from Kenya.

In practice, the study findings will benefit management and staff of manufacturing and allied companies who may gain insight into how their companies can effectively undertake global sourcing. This study also offers an understanding on the importance of global sourcing and thus offers competitive advantage to the firms through effective operational performance. An understanding of the global sourcing effect on operational performance will help the top management and decision makers within the manufacturing companies to focus on achieving these conditions and desired effects. The study will enable the companies to evaluate the benefits of global sourcing against domestic and international sourcing.



## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter provides a discussion of the various theories that provide explanations regarding the concept of global sourcing, a review of the global sourcing practices, studies that have been done that are relevant to this study and a summary of the literature review.

### **2.2 Theoretical Review**

The study is anchored on three theories which are the resource based theory, resource dependency theory and the theory of comparative advantage.

#### **2.2.1 Resource Based Theory**

The theory posits that a company has the ability to create and maintain a competitive advantage when it is able to identify and possess internal strategic resources which lead to improved performance (Crook, Ketchen, Combs & Todd, 2008). They further argue that a resource is considered strategic if it has value, cannot be substituted, rare and can be employed to improve the competitive position of a company and contribute to improved performance. According to the theory, firms will always identify strategic resources having capability of enabling them to achieve and sustain a competitive advantage (Sirmon, Hitt & Ireland, 2007). Global sourcing initiative is hence a strategic resource that leads to higher operational performance. The theory conveys that it's a firm's availability or non-availability of resources that will determine if an organization will globally source resources or not.

According to the theory, a company can exploit the strategic resources through contracting which forms a basis on activities to outsource, which ones to perform in-house and the resources to be obtained from the market (Gainey & Klaas, 2003). Companies can own resources such as human, physical, good organizational structure and financial wellness that can lead to generation of competitive advantage (Miller & Ross, 2003).

### **2.2.2 Resource Dependence Theory**

The theory states that an organization can survive through the minimization of situations of uncertainty and dependency even though it is depicted as an open system that is dependent on contingencies in the external environment (Delke, 2015). This dependence on the external environment for critical resources such as financial assistance subjects the organization to external control (Brettel & Voss, 2013).

The theory assumes that companies cannot be fully self-sufficient in terms of critical strategic resources and hence the need to depend on resources from other companies to achieve and sustain competitive advantage (Heide, 1994). The companies must however manage this dependency with other firms to strive for sustainable development (Ulrich & Barney, 1984). Companies need to control or access critical resources including standards, procedures, enabling technologies, materials sources and distribution channels. This can be achieved by adopting effective global sourcing practices. Firms that lack certain resources can source them from other firms by developing effective relationships that help reduce uncertainties that exist in the operating environment (Carter & Rogers, 2008).

### **2.2.3 Theory of Comparative Advantage**

Global sourcing approach enables companies to integrate their expertise and those of their suppliers with the different location advantages to create a competitive advantage (Mudambi, 2008). Many companies therefore use this as a basis of maintaining relationships with suppliers from different countries with different capabilities. Companies however must deal with the challenge of being able to distinguish between items that should be sourced globally from different areas and those that should be sourced locally (Trautmann, Bals & Hartmann, 2009). The theory generally, holds that countries can actually benefit from free trade even in

circumstances where more than one country produce the same products most efficiently (Daniels, Radebaugh & Sullivan, 2013).

Yeniyurt, Henke and Cavusgil (2011) are of the view that through global sourcing, multinational companies can exploit comparative and competitive advantages by the integration of various value-added activities from different locations. This theory encourages specialization of production and this makes it a source of competitive advantage because countries buy what they cannot produce more efficiently from the country that can. Many companies are adopting global sourcing because of the need for increased speed to market based on specialization and focus (Kotabe & Mudambi, 2009).

### **2.3 Global Sourcing Practices**

Global sourcing practices are meant to lower costs and to help develop multiple supply sources from which items can be sourced. The practices include the following:

#### **2.3.1 Contract Manufacturing**

Contract manufacturing is the use of external service providers to undertake the firm's activities or facilitate the making of some decisions. Involvement of the independent service providers must be within agreed terms within a contract (Mckone & Tomulo, 2002). In this process, companies also contract out the use of resources of the independent service providers including people, facilities, equipment, technology and other assets. The decision making responsibilities regarding some aspects of activities are also transferred.

Contract manufacturing enables companies to meet customers' demands by achieving efficiency in the use of resources and enhanced distribution of goods and services. In adopting contract manufacturing as part of the supply chain process, firms must establish practices that permit them to act or behave consistently. The identified practices are the need to integrate both behavior and processes, the companies concerned must share information,

business risks and customer service goals and develop a framework of structured partnership and cooperation.

### **2.3.2 Off shoring**

Jabbour (2010) asserts that offshoring means having some production activities done in a foreign country. On the other hand, Tallman (2010) assert that it is meant to enjoy the possible lower cost of operations. Mukherjee and Kedia (2009) however view offshoring as a strategic practice in which firm's relocate to overseas locations business activities that were previously performed in-house. They further differentiated the concept into internal and external offshoring. Internal, referring to when firms set up operational centers in foreign countries, but remain in full control (captive offshoring). External offshoring is then considered as the process of moving to a foreign country but also letting a foreign provider handle the business function (offshore outsourcing).

According to Jabbour (2010) offshoring is considered to be an internationalization strategy within the company or through market transactions. An offshoring strategy would require changes in a firm's business model, and although it works for many, several firms have failed, and unfortunately the failure can affect the ability of a firm to compete as well as its reputation in the long-term (Vagadia, 2012). Offshoring has been considered a low cost strategy, and in pursuit for cost cutting, many firms have ignored the potential for expenses that may be incurred, such as the initial costs of choosing a location and the potential legal costs of setting up an offshore location (Oshri, Kotlarsky & Willcocks, 2009).

### **2.3.3 Global Outsourcing**

According to Monczka and Trent (1991) global outsourcing refers to integrating and coordinating the procurement requirements globally. The procurement requirements regard objects, processes, technologies and suppliers. Kotabe (1998) further posit that global

outsourcing is the reliance on global suppliers to provide needed goods and services. Narasimhan, Talluri and Mahapatra (2006) asserted that the strategic objectives of global outsourcing focuses on quality, delivery reliability, responsiveness and improved innovation. Global outsourcing strategies should be part of the operational activities and strategies of firms when making buying decisions. This helps to achieve and sustain competitive advantage (Tam, Moon, Ng & Hui, 2007).

Global outsourcing as a strategy helps to achieve flexibility of operations to help address customer needs promptly. Because it involves sharing risks with other firms, it helps companies to reduce risks while achieving value to customers (Kremic, Tukul & Rom, 2006). Firms that employ global outsourcing are in a good position to exploit both their own and suppliers' competitive advantage and to utilize the comparative location advantages of various countries in global competition (Kotabe & Murray, 2004). To achieve the advantages of global outsourcing, companies must have effectively coordinated departments and activities to avoid any possible conflicts arising from differences in objectives. Success in global outsourcing requires that firms develop a balance between effective manufacturing and flexible marketing to make it the best response to competition and changing customer demands (Carter, Maltz, Yan & Maltz, 2008).

#### **2.3.4 Dual Sourcing**

Yu, Zeng and Zhao (2009) assert that through single sourcing strategy, companies develop a strategic partnership with the supplier to enjoy shared benefits. This enables the two partners to streamline their operations for sustainable competitive advantage. Single sourcing therefore leads to high quality, lower costs and effective cooperation between the buyer and

the supplier (Larson & Kulchitsky, 1998). It must however be stated that when companies depend on single sourcing, they are exposed to greater risks of supply chain interruption.

Bichescu and Fry (2007) assert that the move towards dual sourcing is due to the high risks associated with single sourcing. Yu, Zeng and Zhao (2009) further note that in dual sourcing, a buyer identifies and uses more than one supplier, one of which may dominate the others in terms of business share, price and reliability. Tomlin and Wang (2005) on the other hand found out the need for dual sourcing is to improve cost incurred, enhance reliability, reduce exposure to risks, increase supply varieties and to enhance the product contribution margins.

### **2.3.5 Electronic Procurement**

According to Croom and Brandon-Jones (2004) E-Procurement is the performance of procurement activities such as searching, sourcing, negotiation, ordering, receipt and posting through the use of Internet-based information and communication technologies (ICTs). E-Procurement can take the form of e-Tendering, e-Marketplace, e-Auction/Reverse Auction, and e-Catalogue/Purchasing that facilitates the procurement based activities. Through E-Procurement, businesses can achieve time and cost savings because it helps to link companies with suppliers in the most effective way facilitated by internet infrastructure.

According to Aberdeen Group (2001) many companies seek better and improved business processes through successful implementation of E-procurement. Kalakota and Robinson (2000) are of the view that E-procurement helps companies to achieve cost saving, improved efficiency, measurement and single data entry related benefits. Quinnox (2012) is equally of the view that e-procurement can be used to improve the entire purchasing process because it provides the best mechanism for reorganizing the purchasing process for the benefit of the entire organization. Khanapuri, Nayak, Soni, Sharma and Soni (2011) assert that effective

adoption of e-procurement relies on the availability of adequate and relevant technology, properly crafted e-procurement objectives, complete and reliable information, enough expertise and skills needed.

#### **2.4 Global Sourcing Practices and Operational Performance**

The concept of global sourcing is based on the argument that manufacturing companies cannot be in a position to fully rely on local supplier networks for raw materials, components, modules and systems. According to Han, Dresner and Windle (2008) global sourcing ensures reduced labour cost and increased access to specialized resources and technology. The process of global sourcing has been facilitated by advanced technology and improved supply chain management practices. Rajagopalan and Malhotra (2001) noted that sourcing materials from foreign sources leads to higher levels of raw materials inventory. Levy (1995) also observes that when a firm's global supply is disrupted, it can lead to increased cost of operations arising from increased inventory levels.

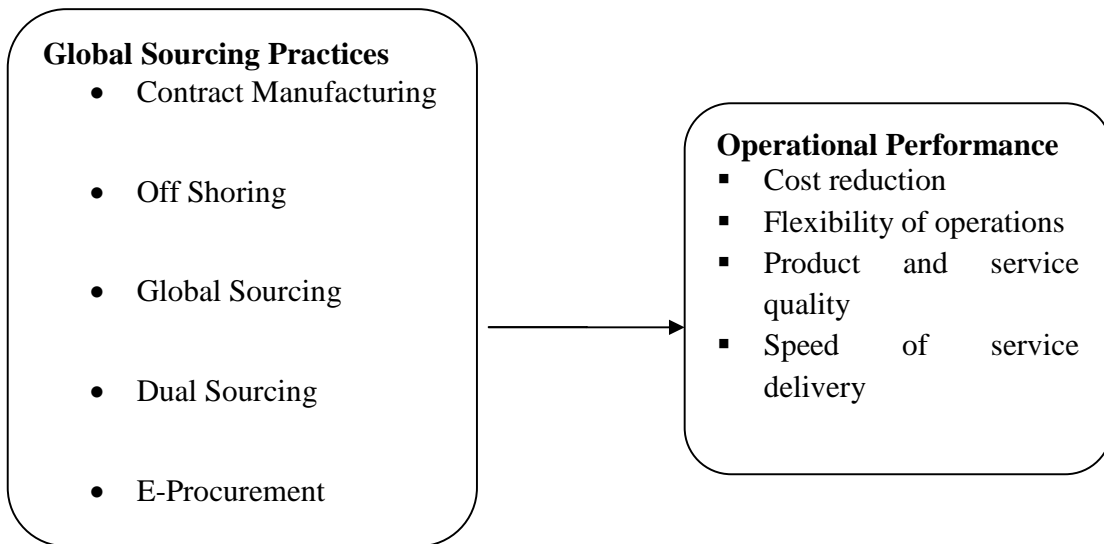
Russell and Taylor (2008) emphasizes that operational performance is based on the need for efficiency which simply refers to the proper use of the available resources in order to maximize output. This leads to reduced cost of operations, reduced wastage and hence low cost products leading to value addition to customers. Global sourcing also leads to continuous improvement because the total cost performance is improved leading to quality of output (Prajogo & Goh, 2007). This forms the basis of improved operational performance. Through global sourcing, companies realize improved speed of product and service delivery.

The relationship between global sourcing practices and operational performance can be illustrated using a conceptual framework. According to Kothari (2004) a conceptual framework is a thematic diagram showing the relationship between the main variables under

study. Operational performance is the dependent variable while the independent variables are contract manufacturing, off shoring, global outsourcing, dual sourcing and E-procurement.

This is given in the figure 2.1 below:

**Figure 2.1: Conceptual Framework**



**Independent Variables**

**Dependent Variable**

**Source:** Research Data (2016)

The figure 2.1 above shows that contract manufacturing, off shoring, global sourcing, dual sourcing and E-procurement practices affect operational performance.

## 2.5 Empirical Literature Review

There are a number of studies regarding the concept of global sourcing. Mwirigi (2013) conducted a study on factors affecting global sourcing efficiency in humanitarian organizations in Kenya: a case study of United Nations children's fund. The study found out that supplier specifications, exchange rate fluctuations, state bureaucracy and training affects global sourcing. In another study, Magenda and Iravo (2014) surveyed factors affecting the adoption of global sourcing: a case study of Tusksys supermarkets, Kenya. The study found out that a number of factors including currency fluctuation, complex logistics, tariffs and



non-tariff barriers, as well as culture and language differences affects global sourcing. The study also found out that companies that succeed in global sourcing must develop a coordinated approach with the suppliers. In another study, Matthyssens, Quintens and Faes (2003) concluded that intense training of employees in global purchasing influences the development of international partnership relations and their overall efficiency and longevity.

Trent and Monczka (2005) concluded that to achieve success in global sourcing, a company must show commitment to global sourcing, develop a vigorous and well-defined process, have a good communication system, have enough resources, intergrated information technology, effective organizational structure and well formulated methodologies for measuring the level of savings. In another study, Haartman and Bengtsson (2015) found out that there is no direct relationship between global purchasing and product innovation. They however noted that when there is proper integration with suppliers, high level of innovation performance is achieved. Gadde, Hakansson and Persson (2010) also concluded that in an industrial setting, companies have adopted complex decisions especially in design and product development.

Tsuma (2014) on the other hand studied global sourcing practices in five star hotels in Nairobi County, Kenya. The aim of the study was to find out the global sourcing practices in five star hotels in Nairobi County. The study revealed that the hotel industry practice three global sourcing strategies, being global outsourcing, contract manufacturing and international purchasing. Some of the challenges faced included the non-stability of the foreign exchange, inflation, the time it takes before shipments are received among others. Magara, Oloko and Nyangau (2014) also studied the effect of global sourcing on profitability of medium motor vehicle firms in Kenya: a survey of Nairobi County. The study found out that global sourcing

and the entire business performance is affected by currency fluctuations and government policies. This greatly affects the financial performance of firms.

Mose, Njihia and Magutu (2013) studied the critical success factors and challenges in E-procurement adoption among large scale manufacturing firms in Nairobi, Kenya. The study identified factors such as employees and management dedication to adoption; information technology reliability and performance of the supplier; e-procurement systems monitoring; user acceptance of e-procurement and top management support as affecting global sourcing. The study by Murray, Kotabe and Westjohn (2009) also found out that firm's knowledge-intensive business services should strategically align their businesses sourcing services to facilitate performance. Finally, Han, Dresner and Windle (2008) studied the impact of global sourcing and exports on US manufacturing inventories. The study concluded that importation and exportation activities significantly affect inventory of goods and services. The study further asserted that export-oriented firms may have to carry high levels of finished goods inventories to guard against the high levels of uncertainties and long lead times associated with international operations.

## **2.6 Summary of Literature Review**

Increased reliance and dependence on suppliers globally is brought about by the fact that companies allocate more resources to their core competencies and encourage the outsourcing of non-core activities. To deal with the problems of escalating competition, shorter product life cycles and rapidly changing customer demands effective global sourcing is sought. From reviewing the empirical literature on this study, previous published empirical research asserts that global sourcing is a key decision in firm's decision making process. Global sourcing is a key driver with regard to improving the competitive position of a business and improved financial performance.

A number of companies adopt global sourcing strategies. Non-profit making organizations are likely to have unique global sourcing practices from those of profit making organizations due to the need to meet different objectives. There are a number of other global sourcing strategies that can be adopted by different organizations though not covered in this review. It is also significant to point out that operational performance of companies would be a vital variable to assess against global sourcing. The current study will therefore concentrate on operational performance as the dependent variable on global sourcing practices.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter presents the research methodology applied in conducting the study. It covers the research design, target population, sampling design, and data collection methods and data analysis techniques.

### **3.2 Research Design**

The study adopted a cross-sectional census survey design. A cross-sectional survey collects data and makes deductions about a population of interest at one point in time. A survey design describes people responses to questions about a phenomenon or situation with aim of understanding respondent's perceptions from which truism is constructed (Kim, 2009).

### **3.3 Population of the Study**

The population of this study comprised of 63 Textile and Apparel manufacturing firms as at August, 2016 (KAM, 2016). The list is given in Appendix III. The Textile and Apparel manufacturing firms form part of the manufacturing firms registered under the Kenya Association of Manufacturers. Since this is a relatively small population, a survey of all the 63 firms was undertaken making this a census study.

### **3.4 Data Collection**

This study used primary data which was collected by the use of a structured questionnaire (Appendix I). The questionnaire comprised of close ended questions. They were distributed through hand delivery and picked later. The structured questionnaire had four parts. This included bio data, global sourcing practices, operational performance and challenges facing adoption of global sourcing practices. The structuring of the questionnaire was to enable the study to address all the objectives adequately.

### 3.5 Data Collection Procedure

Drop-and-pick-later method was used to administer the questionnaire. The respondents were the managers in charge of purchasing and operations of the manufacturing firms. These managers were considered to be well versed with the global sourcing practices in the respective departments. One respondent per a firm was considered sufficient. This made a total number of respondents to be 63 (sixty three).

### 3.6 Data Analysis

The collected data was cleaned, validated, and edited for accuracy, uniformity, consistency and completeness. Descriptive statistics was used to determine the global sourcing practices adopted by textile and apparel manufacturing firms. To find out the effect of global sourcing practices on operational performance of textile and apparel manufacturing firms, the following regression model was used:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

**Where:**

Y = Operational performance index (Dependent variable).

a = Constant

$\beta_1$  = Coefficient of contract manufacturing

$\beta_2$  = Coefficient of off shoring

$\beta_3$  = Coefficient of global outsourcing

$\beta_4$  = Coefficient of dual sourcing

$\beta_5$  = Coefficient of E-procurement

$X_1$  = Contract manufacturing

$X_2$  = Off shoring

$X_3$  = Global outsourcing

$X_4$  = Dual sourcing

$X_5$  = E-procurement

$\varepsilon$  = Error term.

The multiple correlation coefficient  $R$  was used to test the strength of the relationship between the independent variables and the dependent variable. The coefficient of determination  $R^2$  was used to indicate the proportion of the variance in operational performance that is explained by the linear model. Descriptive analysis was finally used to establish the challenges of adopting global sourcing practices by textiles and apparels manufacturing firms in Kenya.

## **CHAPTER FOUR: DATA ANALYSIS AND FINDINGS**

### **4.1 Introduction**

This chapter contains data analysis and findings from the study. The analysis is focused on the study objectives. The research sought to determine the global sourcing practices adopted by Textiles and Apparels manufacturing firms in Kenya, to find out the effect of global sourcing practices on operational performance of Textiles and Apparels manufacturing companies in Kenya and to establish the challenges of adopting global sourcing practices by Textiles and Apparels manufacturing companies in Kenya. The findings are presented as a report of the questions answered by the respondent. Out of the 63 manufacturing firms targeted, 40 responded. This formed a response rate of 63%. The response rate was adequate for the study since it is above 50% as recommended by Mugenda (2003).

### **4.2 General information**

The respondents were characterized by the name of the company, position that one occupied in the company and years of experience of the respondents. The years of experience helped to establish the challenges of adopting global sourcing practices by Textiles and Apparels manufacturing companies in Kenya. The longer the time one has been in the company, the possibilities of getting valid information on challenges. The respondents were the production and operations managers of the various companies. In some of the companies, the general managers were given the authority to respond to the questionnaires. The analysis of the years of experience is given in the table 4.1 below:

**Table 4.1: Years of Experience**

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 5 years	9	22.5	22.5	22.5
6 – 10 years	5	12.5	12.5	35.0
11 – 15 years	16	40.0	40.0	75.0
Above 16 years	10	25.0	25.0	100.0
Total	40	100.0	100.0	

**Source:** Research Data (2016)

The respondents were asked to indicate the number of years they have been in the position in the company. Majority of the respondents representing 40% responded that they had been in the company and in that position for 11-15 years, another 25% indicated that they had been there for more than 16 years. 22.5% of the respondents said they had been in the position for less than 5 years and 12.5% of the respondents said they had been in the position for 6-10 years. From the results it can be inferred that majority of the respondents had the necessary experience to give objective responses.

#### **4.3 The Extent of Adoption of Global Sourcing Practices**

The researcher sought to investigate the extent to which the companies have adopted global sourcing practices. The respondents were asked to indicate the extent to which the various companies had adopted global sourcing practices. The global sourcing practices are adopted in the activities relating to contract manufacturing, off shoring, global outsourcing, dual sourcing and E-procurement. The following subsections discuss the results. A likert scale



was used where 1= strongly disagree, 2= disagree, 3= agree, 4= moderately agree and 5= strongly agree.

#### 4.3.1 Contract Manufacturing

The researcher sought to find out the extent to which contract manufacturing has been adopted by the companies. The result is as given in the table 4.2 below:

**Table 4.2: Descriptive Statistics of Contract Manufacturing**

<b>Practices</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Rank</b>
Reference samples of materials and finished goods	40	2.20	.414	8
Monitoring of quality assurance procedures.	40	2.65	.828	7
Rapid feedback analysis.	40	4.45	.458	1
Installation of controls concerning uniformity of content	40	3.27	.488	6
Availability of manufacturing instructions	40	4.35	.347	2
Undertaking production process validation	40	3.55	.446	5
Installation of stability monitoring processes.	40	4.28	.525	3
Existence of product packaging specifications.	40	4.00	.264	4
<b>Valid N (listwise)</b>	<b>40</b>	<b>3.59</b>	<b>.471</b>	

Source: Research Data (2016)

From the table 4.2 above, the most commonly practiced contract manufacturing practices are rapid feedback analysis, availability of manufacturing instructions, installation of stability monitoring processes and existence of product packaging specifications with a mean of 4.45, 4.35, 4.28 and 4.00 respectively. The least practice is the use of reference samples of materials and finished goods with a mean of 2.20.

### 4.3.2 Off Shoring

The researcher sought to find out the extent to which off shoring activities are practiced by the companies. The analysis is given in the table 4.3 below:

**Table 4.3: Descriptive Statistics of Off Shoring**

<b>Variable</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Rank</b>
The vendor assists our company to build the service center but the actual work is performed by our company.	40	4.20	.516	1
Hiring an outside service provider in the chosen offshore market.	40	2.85	.516	4
Existence of arrangement where the service center is set up as a joint venture with the vendor.	40	3.38	.000	2
Engagement in build-operate-transfer model of business	40	3.17	.976	3
<b>Valid N (List wise)</b>	<b>40</b>	<b>3.40</b>	<b>.502</b>	

Source: Research Data (2016)

In the table 4.3 the most commonly practiced off shoring practice is where the vendors assist the companies to build the service center but the actual work is performed by the companies with a mean of 4.20. This is followed by the existence of an arrangement where the service center is set up as a joint venture with the vendor which had a mean of 3.38 and then followed by engagement in build-operate-transfer model of business which had a mean of 3.22. The least practice is hiring of an outside service provider in the chosen offshore market which had a mean of 2.85.

### 4.3.3 Global Outsourcing

The researcher sought to find out the extent to which global outsourcing activities are adopted by the companies. The adoption of the practices is given in the table 4.4 below:

**Table 4.4: Descriptive Statistics of Global Outsourcing**

<b>Variables</b>	<b>N</b>	<b>Std.</b>		
		<b>Mean</b>	<b>Deviation</b>	<b>Rank</b>
Undertaking supplier selection and evaluation.	40	3.32	.955	5
The use of artificial intelligence tools.	40	4.15	.893	1
Determination of core competencies	40	3.50	.982	4
Performance of evaluation of vendors' performance.	40	3.45	.917	3
Initiation of trial contracts	40	3.82	.791	2
<b>Valid N (List wise)</b>	<b>40</b>	<b>3.65</b>	<b>.908</b>	

**Source:** Research Data (2016)

From the table 4.4 above, the companies mostly practice the use of artificial intelligence tools as shown by the mean of 4.15. This is followed by the initiation of trial contracts which had a mean of 3.82, then the determination of core competencies with a mean of 3.50 and then the use of performance of evaluation of vendors performance with a mean of 3.45. The least practiced application is undertaking supplier selection and evaluation which had a mean of 3.32.

#### **4.3.4 Dual Sourcing**

The researcher sought to find out the extent to which dual sourcing activities had been adopted by the companies. The extent of adoption is given in the table 4.5 below:

**Table 4.5: Descriptive Statistics of Dual Sourcing**

<b>Variables</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Rank</b>
Regular negotiation with suppliers.	40	3.90	.538	2
Integrating the organization with the vendors.	40	3.85	.671	4
Measuring the impact of incidents for any activity.	40	3.90	.410	2
Service level agreements for all assignments	40	4.07	.496	1
<b>Valid N (List wise)</b>	<b>40</b>	<b>3.93</b>	<b>.529</b>	

**Source:** Research Data (2016)

From the table 4.5, the mostly applied practice is the use of service level agreements for all contracts and assignments with a mean of 4.07. This is followed by regular negotiation with suppliers and measuring the impact of incidents for any activity which both had a mean of 3.90. The least practiced application is the integration of the organization with all the vendors with a mean of 3.85.

#### **4.3.4 E-Procurement**

The researcher sought to find out the extent to which e-procurement activities had been adopted by the companies. The extent of adoption is given in the table 4.6 below:

**Table 4.6: Descriptive Statistics of E-Procurement**

Variables	N	Mean	Std.	Rank
			Deviation	n
The company uses advertising of tenders online.	40	4.10	.939	1
Encouraging on line submission of proposals	40	3.72	.027	3
Short listing of suppliers on line	40	3.38	.959	6
Making requisition on line for all needed materials.	40	3.48	.806	5
Call for proposals is done through the company website	40	3.90	.864	2
Posting of items specification on company website	40	3.57	.061	4
<b>Valid N (List wise)</b>	<b>40</b>	<b>3.69</b>	<b>.609</b>	

**Source:** Research Data (2016)

From the table 4.6, the mostly applied practice in E-procurement is the use of advertising of tenders online with a mean of 4.10 followed by call for proposals being done through the company website having a mean of 3.90. The companies also encourage online submission of proposals with a mean of 3.72. The least practice regarding E-procurement is short listing of suppliers online with a mean of 3.38.

#### **4.3.5 Overall Adoption of Global Sourcing Practices**

The researcher summarized the various global sourcing practices and ranked them in order to find out which was most important to the companies. The practices are contract manufacturing, off shoring, global outsourcing, dual sourcing and E-procurement. The analysis is given in the table 4.7 below:

**Table 4.7: Overall Adoption of Global Sourcing Practices**

<b>Practices</b>	<b>N</b>	<b>Mean</b>	<b>Std.</b>	<b>Rank</b>
			<b>Deviation</b>	
Contract Manufacturing	40	3.59	.366	4
Off shoring	40	3.40	.252	5
Global Outsourcing	40	3.65	.030	3
Dual Sourcing	40	3.93	.083	1
E-Procurement	40	3.69	.121	2
<b>Valid N (List wise)</b>	<b>40</b>	<b>3.65</b>	<b>.170</b>	

**Source:** Research Data (2016)

From table 4.7 above, the global sourcing practices were analyzed to find out which practices are important to the companies. From the results, dual sourcing which has a mean of 3.93 is viewed by the respondents as the most important practice. This is followed by E-procurement and then global outsourcing with a mean of 3.69 and 3.65 respectively. The least implemented global sourcing practices are contract manufacturing and off shoring which had a mean of 3.59 and 3.40 respectively.

#### **4.4 Effect of Global Sourcing Practices on Operational Performance**

In this section regression analysis was done to determine if global sourcing practices affect operational performance. In the regression analysis, operational performance is the dependent variable. Operational performance was measured on the basis of cost reduction, flexibility of operations, product and service quality and speed of service delivery. Contract manufacturing, off shoring, global outsourcing, dual sourcing and E-procurement are the independent variables. The mean of the independent variables and the dependent variables was then used to perform regression analysis as shown in the table 4.8 below.

**Table 4.8: Regression Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.630 <sup>a</sup>	.397	.287	.38653232	.397	3.617	6	33	.007

**Source:** Research Data (2016)

From table 4.8, adjusted  $R^2$  is 0.287 which means that there was 28.7% positive variation in operational performance index due to changes in independent variable and 71.3% is variation of the dependent variable due to other factors not in the model. The correlation coefficient tells us the strength of the relationship between the variables. The study found that the correlation coefficient was 0.630 thus there was a strong positive correlation between the global sourcing practices and operational performance.

The coefficient of correlation was subjected to a test of significance as follows:

$H_0$ :  $r = 0$  (the coefficient of correlation is not significant)

$H_1$ :  $r \neq 0$  (the of coefficient correlation is significant)

It is a one tail test at 5% level of significance  $df = n - 2 = 40 - 2 = 38$ , the decision rule would therefore be to reject  $H_0$  if computed t is greater than 1.686

Computed  $t = r\sqrt{n-2}/\sqrt{1-r^2} = 0.63\sqrt{40-2}/\sqrt{1-0.63^2} = 5.00$

Decision: Since computed t (5.00) is greater than critical t, the null hypothesis is rejected implying that the coefficient of correlation is significant.

**Table 4.9: Analysis of Variance**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	3.243	6	.540	3.617	.007 <sup>a</sup>
Residual	4.930	33	.149		
<b>Total</b>	<b>8.173</b>	<b>39</b>			

**Source:** Research Data (2016)

From ANOVA table the significant value for the model was 0.007 which means that the model was statistically significant since it is lower than 0.05. The summary of the regression coefficients is given in the table 4.10 below:

**Table 4.10: Regression Coefficients**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.739	.682		1.083	.287
Contract Manufacturing (X <sub>1</sub> )	.313	.159	.368	1.968	.058
Off shoring (X <sub>2</sub> )	.110	.115	.161	.957	.345
Global Outsourcing (X <sub>3</sub> )	.048	.185	.043	.258	.798
Dual Sourcing (X <sub>4</sub> )	.185	.159	.201	1.162	.253
E-Procurement (X <sub>5</sub> )	.056	.063	.145	.891	.379

**Source:** Research Data (2016) From the

table 4.12 the following regression equation was established:

$$Y = 0.739 + 0.313X_1 + 0.110X_2 + 0.048X_3 + 0.185X_4 + 0.056X_5$$

From the equation the study found that holding contract manufacturing, off shoring, global sourcing, dual sourcing and E-procurement constant, operational performance index



(dependent) would be 0.739. A factor increase in contract manufacturing would lead to an increase in operational performance by factor of 0.313, a unit increase in off shoring would lead to an increase in operational performance by 0.110, an increase in a unit of global outsourcing by a factor of one would lead to an increase of 0.048 in the firm's operational performance, a unit increase in dual sourcing would lead to an increase in operational performance by 0.185. Finally, a unit increase in E-procurement would lead to a 0.056 increase in operational performance. This information shows that there's a positive relationship between the independent variables and operational performance.

**Table 4.11: Significance of Correlation between Individual Variables**

		Operatio nal performa nce index	Contract manufactu ring	Off shoring	Global outsourcin g	Dual sourcing	E- procurem ent
Operational performance index	Pearson Correlation	1.000	.537**	.451**	.383*	.451**	.115
	Sig. (2-tailed)		.000	.004	.015	.004	.478
Contract Manufacturing	Pearson Correlation	.537**	1.000	.517**	.464**	.434**	-.101
	Sig. (2-tailed)	.000		.001	.003	.005	.537
Off Shoring	Pearson Correlation	.451**	.517**	1.000	.459**	.416**	-.037
	Sig. (2-tailed)	.004	.001		.003	.008	.818
Global Outsourcing	Pearson Correlation	.383*	.464**	.459**	1.000	.423**	.045
	Sig. (2-tailed)	.015	.003	.003		.007	.785
Dual Sourcing	Pearson Correlation	.451**	.434**	.416**	.423**	1.000	-.020
	Sig. (2-tailed)	.004	.005	.008	.007		.904
E- procurement	Pearson Correlation	.115	-.101	-.037	.045	-.020	1.000
	Sig. (2-tailed)	.478	.537	.818	.785	.904	

**Source:** Research Data (2016)

From table 4.11, the nature of the positive significant relationships between the operational performance and the independent variables can be observed. The study found that operational performance index was positively related to contract manufacturing with a correlation coefficient of 0.537. The correlation analysis revealed that operational performance index was positively related to off shoring and global outsourcing having correlation coefficients of 0.451 and 0.383 respectively. The study also revealed operational performance index is positively related to dual sourcing with a positive correlation coefficient of 0.451. Finally, operational performance index was found to be positively related to E-procurement but insignificant with correlation coefficients of 0.115.

#### **4.5 Challenges of Adopting Global Sourcing Practices**

The respondents were given a list of challenges facing adoption of global sourcing practices. The table 4.12 gives a summary of their response.

**Table 4.12: Challenges of adopting global sourcing practices**

<b>Challenges</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Rank</b>
Resistance to change	40	3.32	.309	8
The level of internet access by small suppliers	40	4.15	.864	2
The level of top management support	40	3.50	.934	7
The nature of global logistics	40	3.45	.085	6
Existence of tariffs and non-tariff restrictions	40	3.82	.174	4
Culture and language differences	40	3.70	.883	5
The capability of suppliers	40	4.20	.853	1
The type of international trade laws and practices	40	4.07	.944	3
<b>Valid N (List wise)</b>	<b>40</b>	<b>3.776</b>	<b>.631</b>	

**Source:** Research Data (2016)

The table 4.12 above shows that the main challenges of adopting global sourcing practices in the studied companies include the capability of suppliers, followed by the level of internet access and then the type of international trade laws and practices with a mean of 4.20, 4.15 and 4.07 respectively. This is followed by existence of tariffs and non-tariff barriers with a mean of 3.82. The factor that had the least challenge in the process of adoption of global sourcing practices was resistance to change with a mean of 3.32.

## **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter summarizes the research findings and also presents conclusions and recommendations based on the objectives of the study.

### **5.2 Summary of Findings**

The first objective of this study was to determine the global sourcing practices adopted by Textiles and apparels manufacturing firms in Kenya. Data analysis and interpretation of questionnaire responses revealed that dual sourcing was the most adopted practice. This is followed by E-procurement, global outsourcing and then contract manufacturing. The least implemented global sourcing practice was off shoring. The companies however practiced at different levels all the global sourcing practices of contract manufacturing, off shoring, global outsourcing, dual sourcing and E-procurement.

The study also sought to find out the effect of global sourcing practices on operational performance of Textile and Apparels manufacturing firms in Kenya. The study results show a coefficient of correlation of 0.63 meaning that there is a positive relationship between the global sourcing practices and operational performance. The following regression equation was established:

$$Y = 0.739 + 0.313X_1 + 0.110X_2 + 0.48X_3 + 0.185X_4 + 0.056X_5$$

From the above equation the study found that global outsourcing, dual sourcing, E-procurement, off shoring and contract manufacturing have a positive but not a significant effect on operational performance. This is because the P-value is not less than 0.005. The coefficient of determination  $R^2$  was found to be 0.287 which means that there was 28.7%

positive variation in operational performance index due to changes in independent variable and 71.3% is variation of the dependent variable due to other factors not in the model.

The third objective of the study was to establish the challenges of adopting global sourcing practices by Textile and Apparel manufacturing firms in Kenya. The study identified the capability of suppliers as the main challenge in adopting global sourcing practices by Textile and Apparels manufacturing firms. This was followed by the level of internet access by small suppliers and then the type of international trade laws and practices. The other challenges are existence of tariff and non-tariff barriers, culture and language barriers, the nature of global logistics, the level of top management support and finally resistance to change.

### **5.3 Study Conclusions**

This study investigated the effect of global sourcing practices on operational performance of Textiles and Apparels manufacturing firms in Kenya. It was intended to establish a linear model that relates global sourcing practices with operational performance of Textile and Apparels manufacturing firms in Kenya. The specific objectives of the study were to determine the global sourcing practices adopted by Textiles and Apparels manufacturing firms in Kenya, to find out the effect of global sourcing practices on operational performance of Textiles and Apparels manufacturing firms in Kenya and to establish the challenges of adopting global sourcing practices by Textiles and Apparels manufacturing firms in Kenya.

The study established that Textiles and Apparels manufacturing firms practiced at different levels all the global sourcing practices of contract manufacturing, off shoring, global outsourcing, dual sourcing and E-procurement. From the findings of the study, global sourcing practices have a positive effect on the operational performance of Textiles and Apparels Manufacturing firms in Kenya. This conclusion is consistent with Gadde,

Hakansson and Persson (2010) who also concluded that in an industrial setting, the context of purchasing management has moved from the simple outsourcing of production and supply of resources to global sourcing.

The study also concludes that the capability of suppliers; the level of internet access by small suppliers and the type of international trade laws and practices are the main challenges affecting adoption of global sourcing practices. The other factors challenging adoption of global sourcing also include existence of tariffs and non-tariff restrictions, culture and language differences, the nature of global logistics, the level of top management support and resistance to change. This conclusion is consistent with the study by Magenda and Iravo (2014) which identified currency fluctuation, complexity of logistics, tariff and non-tariff barriers and culture differences as the four factors affecting adoption of global sourcing.

#### **5.4 Study Recommendations**

From the findings of the study, the researcher recommends that the Textiles and Apparels manufacturing firms in Kenya should adopt global sourcing practices in contract manufacturing, off shoring, global sourcing, dual sourcing and E-procurement. The companies should adopt the need to install controls concerning uniformity of content and the availability of manufacturing instructions under contract manufacturing. The companies should also have rapid feedback analysis in contract manufacturing. In off shoring, the companies should have a partnership with vendors to assist their companies to build the service center but the actual work is performed by the company. The companies should also set up off shore service centers. Another recommendation is for governments to have clear cut duty and reduced charges and to put conducive policies in place that will ensure that more global sourcing for textile and apparel manufacturing companies is more fruitful.

### **5.5 Limitations of the Study**

Firstly, the study was limited in scope by the fact that it only covered textiles and apparels manufacturing firms. The study would give a better picture for policy reasons if it reflected a sample of all manufacturing companies. The researcher also encountered hostility from some respondents who felt that the information would be exposed to their business competitors. Because of the geographic spread of the Textiles and Apparels manufacturing firms across the country , the researcher had a challenge in terms of resources such as finances to commute to the different companies and time required to meet the respondents, convince them to complete the questionnaires and going back to pick the questionnaires.

### **5.6 Suggestions for Further Research**

Global sourcing is a customer-oriented approach, a study would be conducted to establish its significance in the other industries apart from the textiles and apparels manufacturing firms. Due to the shortcomings of regression models, other models can be used to explain the various relationships between global sourcing practices and operational performance of organization.



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## APPENDICIES

### APPENDIX I: QUESTIONNAIRE

#### PART A: BIO DATA

1. Name of the company \_\_\_\_\_
2. Position in the organization \_\_\_\_\_
3. Years of experience
  - i. Less than one year
  - ii. 1 – 5 years
  - iii. 6 – 10 years
  - iv. Above 11 years

#### PART B: GLOBAL SOURCING PRACTICES

The following is a list of global sourcing practices. Please indicate your level of agreement on the extent to which the following practices have been adopted by your company using the scale of 1-5 where 1= Strongly disagree; 2 = Disagree; 3 = Agree; 4 = Moderately agree & 5 = Strongly agree	Level of agreement?				
	Strongly disagree	Disagree	Agree	Moderately agree	Strongly agree
	1	2	3	4	5
<b>1. Contract manufacturing</b>					
a. My organization is retaining reference samples of materials and finished goods.					
b. The company undertakes monitoring of quality assurance procedures.					
c. My company has the practice of rapid feedback analysis.					
d. The company has installed controls concerning uniformity of content					

e. There is availability of manufacturing instructions					
f. My company undertakes production process validation					
g. The company has installed stability monitoring processes for the entire manufacturing process.					
h. My company has product packaging specifications for all contracted suppliers.					
<b>2. Off shoring</b>					
a. The vendor assists our company to build the service center but the actual work is performed by our company.					
b. My company hires an outside service provider in the chosen offshore market to help set up an offshore service center on the company's behalf.					
c. My company is involved in an arrangement where the service center is set up as a joint venture with the vendor.					
d. The company engages in build-operate-transfer model of business					
<b>3. Global outsourcing</b>					
a. My company undertakes supplier selection and evaluation.					
b. The company uses artificial intelligence tools.					
c. My company is involved in the determination of core competencies					
d. The company performs evaluation of vendors' performance.					
e. The company has the practice of initiation of trial contracts					
<b>4. Dual sourcing</b>					

a. My company involves in regular negotiation with suppliers.					
b. The company integrates the organization with the vendors.					
c. My company measures the impact of incidents for any activity.					
d. There is service level agreements for all contractual assignments.					
<b>5. E-Procurement</b>					
a. The company uses advertising of tenders online.					
b. My company encourages on line submission of proposals					
c. The shortlisting of suppliers is done on line for the company.					
d. The company staff makes requisition on line for all needed materials.					
e. The call for proposals is done through the company website					
f. My company is posting items specification on company website					

**PART C: OPERATIONAL PERFORMANCE**

Indicate the extent to which the following operational outcomes have been enhanced as a result of implementing global sourcing practices. 1= Not at all; 2 = Small extent; 3 = Moderate extent; 4 = Great extent; 5 = Very great extent	<b>What is the extent</b>				
	<b>Not at all</b>	<b>Small extent</b>	<b>Moderate extent</b>	<b>Great extent</b>	<b>Very great extent</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Cost</b>					



Decrease in energy bills					
Decrease in water bills					
Reduced labour cost					
<b>Flexibility</b>					
Variety of services					
Readily available services					
Volume flexibility					
Mix flexibility					
<b>Product and Service Quality</b>					
Strong brand value					
High customer loyalty					
Increase in the number of customers					
High sales revenue					
<b>Speed of Service Delivery</b>					
Improved communication					
High service rates					
High regulatory compliance					
Up to date procurement information					

**PART D: CHALLENGES OF ADOPTING GLOBAL SOURCING PRACTICES**

The following is a list of challenges facing adoption of global sourcing practices, tick the ones that are relevant to your organization

1	Compatibility of equipment needed	
2	The prerequisites in e-procurement adoption	
3	Resistance to change	
4	The level of internet access by small suppliers	
5	The level of top management support	
6	The nature of global logistics	
7	Existence of tariffs and non-tariff restrictions	
8	Culture and language differences	

9	Corporate culture differences	
10	The type of international trade laws and practices	
11	The capability of suppliers	
12	Payment methods involved in these transactions.	

**APPENDIX II: WORK PLAN**

<b>ACTIVITY</b>	<b>1<sup>st</sup> - 29<sup>th</sup> AUGUST 2016</b>	<b>1<sup>st</sup> - 4<sup>th</sup> SEPTEMBER 2016</b>	<b>SEPT. 5<sup>TH</sup> - OCT 4<sup>TH</sup> 2016</b>	<b>5<sup>TH</sup> - 10<sup>TH</sup> 4<sup>th</sup> OCT 2016</b>	<b>5<sup>th</sup> - 11<sup>th</sup> NOVEMBER 2016</b>
<b>Proposal writing</b>					
<b>Questionnaire structuring , approval and presentation</b>					
<b>Collection of data</b>					
<b>Analysis of variables</b>					
<b>Report presentation</b>					

**APPENDIX III: RESEARCH BUDGET**

<b>ITEM</b>	<b>COST (Ksh.)</b>
Transport	2500
stationary	2500
Secretarial work	5000
Air time	2000
contingency	5000
Printing and binding	3000
<b>TOTAL</b>	<b>20,000</b>

#### **APPENDIX IV: LIST OF TEXTILE AND APPAREL MANUFACTURING FIRMS IN KENYA**

1. Alltex EPZ Ltd.	Athi River
2. Apparel Africa Ltd	Mombasa
3. Apparels Trading Co Ltd.	Nairobi
4. Apex Apparels EPZ Ltd.	Nairobi
5. Ashton Apparel EPZ Ltd.	Nairobi
6. Baraka Apparels EPZ Ltd.	Nairobi
7. Bedi Investments (Export) Ltd.	Nakuru
8. Birch Investment EPZ Ltd.	Mombasa
9. BlueBird Garments (K) EPZ Ltd.	Mombasa
10. Blue Plus Ltd.	Nairobi
11. California Link EPZ Ltd.	Mombasa
12. Chandhu EPZ Ltd	Mombasa
13. Global Apparels Kenya EPZ Ltd	Athi River
14. Heritage Woolen Mills	Eldoret
15. Crown Fashions Ltd.	Nairobi
16. Eagle Apparel Export Ltd.	Nairobi
17. Emke Garment Kenya Pv Limited	Mombasa
18. Equator Apparels Co. Ltd.	Nairobi
19. Excel Clothing Manufacture of apparel	Nairobi
20. Falcon Apparel Exporters Ltd.	Nairobi
21. Freba International Mall Ltd.	Nairobi
22. Heritage Woolen Mills Ltd.	Eldoret
23. JAR Kenya EPZ Ltd.	Nairobi
24. Jaydees Knitting Factory Ltd.	Nairobi
25. Kapric Apparels EPZ Ltd.	Mombasa
26. Kamyn Industries Ltd.	Mombasa
27. Kenya Knit Garments EPZ Ltd.	Mazeras
28. Kibingo Textiles Ltd.	Kerugoya
29. Ken Knit.	Eldoret
30. Kifaru Textile Mills Textile Mill.	Thika
31. Kisumu Cotton Mills Textile Mill.	Nyanza
32. Leena Apparel Ltd.	Nairobi
33. Manchester Apparels Ltd.	Nairobi
34. Maridadi Apparels Ltd.	Nairobi
35. Mash Apparels Kenya Ltd.	Nairobi
36. Mega Garments Industries (K) EPZ Ltd.	Mombasa
37. Mega Spin Ltd.	Nakuru
38. Mirage Fashion Wear EPZ Ltd.	Athi River

39. MRC Nairobi EPZ Ltd.	Athi River
40. Nakuru Industries Ltd.	Nakuru
41. Nyali Textiles Mills.	Mombasa
42. Protex EPZ Ltd.	Athi River
43. Res Apparels Ltd.	Nairobi
44. Rising Sun	Athi River
45. Rolex Garments EPZ Ltd.	Athi River
46. Rupa Cotton Mills EPZ Ltd.	Athi River
47. Sahara Stitch EPZ Ltd.	Nairobi
48. Sankam Textiles Ltd.	Nairobi
49. Senior Best Garments (K) EPZ Ltd.	Mombasa
50. Sethi Fabric Ltd.	Nairobi
51. Shin Ace Garments (K) EPZ Ltd.	Mombasa
52. SinLane EPZ Ltd.	Mombasa
53. Sino Link EPZ Ltd.	Mombasa
54. Storm Apparel Manufacturers Ltd.	Nairobi
55. Shawaz Textile Mills Textile Mill.	Nairobi
56. Tana Apparels Ltd.	Nairobi
57. Teleworld Industries Ltd.	Nairobi
58. Thika Cloth Mills Ltd.	Thika
59. Triaco Fine Textile Products.	Nairobi
60. United Aryan EPZ Ltd.	Nairobi
61. Upan Wasana EPZ Ltd.	Nairobi
62. Wild Life Works Ltd.	Voi
63. Zawadi Apparels Ltd.	Nairobi

**Source:** KAM, 2016