

An Overview of Pakistan's Textile Sector from Operational Competitive Perspective —A Suggestive Analysis!

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Received 7 April 2014; revised 14 May 2014; accepted 21 May 2014

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Abstract

The basic aim of this paper is to study and analyze the current level of operational competitiveness of Pakistani Private Sector—Textile Manufacturing Enterprises. The subject research area will be probed on the basis of making cross reference comparison between the Pakistani Private Sector (PPS)—Textile Manufacturing Enterprises (TME) with the global Textile Manufacturing players in global manufacturing strategies databases. The results revealed that the “quality” is the most important competitive priority of the case PPS-TME and it also pointed towards having some competitive advantages in prospector group. However, it will take considerable amount of time for Pakistani Private Sector—Textile Manufacturing Enterprises to regain their previous global recognition and then further improve their operational competitiveness due to the weak and faulty organizational management structure and practices, currently being affected by nation's political, economic, energy and security situation.

Keywords

Operational Competitiveness, Competitive Edge, Analytical Models, Pakistani Private Sector—Textile Manufacturing Enterprise, Analytic Hierarchy Process, Manufacturing Strategies

1. Introduction

Pakistani Textile Manufacturing Sector contributes 8.50% of the national income. Cotton being the prime crop of Pakistan makes the textile industry the most significant industry of the country. The textile industry contributes more than 60% of the export earnings of the country.

During the 1990s, Pakistan's textile manufacturing sector developed manifolds. Now, it constitutes 46% of

How to cite this paper: Kazmi, S.A.Z. and Takala, J. (2014) An Overview of Pakistan's Textile Sector from Operational Competitive Perspective—A Suggestive Analysis! *World Journal of Engineering and Technology*, 2, 124-130.
<http://dx.doi.org/10.4236/wjet.2014.22014>

the total manufacturing, provides 38% of the manufacturing labor force, shares 9% in GDP and also has the potential to meet the challenges of the highly competitive global market especially after the removal of trade barriers under W.T.O. regime. Hence, the country is facing much stronger competition not only from the regional competitors (Asian—China, India, Bangladesh etc.) but from the global level competitors from American and European textile players with the support of much advanced infrastructure and improved systematic operations [1].

Pakistan's Textile industry provides 9% of the global textile needs and ranked at world's number 10 textile producers. Pakistan's textile industry, based on locally-grown cotton, produces cotton yarn, cotton cloth, and made-up textiles and apparel. Market for imported textile machinery and equipment in Pakistan is directly proportional to the overall strength of the local textile industry. In order to revitalize this sector, the Government of Pakistan (GOP) has formulated "Textile Vision 2007". According to that "vision", Government of Pakistan plans was to spend Pakistan Rupees 331 billion (USD 1.00 equals Rs. 92 at the current exchange rate) in the textile industry in order to attain fifth position as a leading Asian textile exporter and to increase the exports to USD 13.815 billion by 2007. To achieve this goal, it is expected that new investment is more than Pak. Rupees 333 billion will be required in different sub-sectors of textile industry. Pakistan is the eighth largest textile exporter from Asia. This is in spite of serious problems being faced by the local textile industry. Operational Competitiveness can be defined as the ability of firm to design, produce and or market products superior to those offered by competitors, considering the price and non-price qualities [2]. For instance, the negligible local production of textile machinery mainly comprises of spindles and ring cups for the spinning industry, power looms for the weaving industry, simple dyeing and finishing equipment, knitting and sewing machines and accessories such as rubber cots plastic bobbins and wire for carding machines. In other words, the local industry desperately requires more modern machinery and techniques to compete in an increasingly competitive industry. In addition to the basic problems, the textile industry is also extremely affected by the national instability due to the recent judicial, political, economic, energy and security issues. Research efforts have brought many interesting perspectives and frameworks at the country's industry, and firm level. The popularity of the competitiveness benchmarking at the country level such as Global Competitiveness Reports, World Competitiveness Yearbooks, and National Competitiveness Reports is an indicator of growing interest in comprehensive frameworks and data for competitiveness-related decision-making. Research into issues of industry-level competitiveness confirmed importance of processes in enhancing competitiveness [3]. Pakistani Private Sector—Textile manufacturing enterprises face the challenge of remaining competitive in the context of the elimination of the Multi-Fiber Agreement (MFA) quotas on textile and apparel trade under the World Trade Organization (WTO), the emergence of China as a huge textile and apparel exporter, and new and potential intraregional trade agreements. Implementation of the final WTO ruling against U.S. cotton subsidies, a new U.S. farm bill in 2008, and a possible agreement to multilaterally reduce cotton subsidies and tariffs across the related textile and apparel sectors in the Doha Round WTO negotiations may also affect the cotton and related processing industries of Pakistan. Porter says "it is the firms, not nations, which compete in international markets" [4]. The environmental factors are more or less uniform for all competing firms. Research shows that 36 percent of the variance in profitability could be attributed to the firms' characteristics and actions [5].

Hence, it is the need of the hour to focus more rigorously on the ways and means to achieve sustainable development in the field of Textile Sector of Pakistan. Companies should typically utilize multi-focus manufacturing strategies in a holistic way based on their business plan and goal. Competitive priorities belong to the first phase of manufacturing strategies, which act as the bridge between business strategy and the manufacturing objectives [6]. Companies should typically utilize multi-focus manufacturing strategies in a holistic way based on their business plan and goal. Competitive priorities belong to the first phase of manufacturing strategies, which act as the bridge between business strategy and the manufacturing objectives [6]. Competitiveness originated from the Latin word, competitor, which means involvement in a business rivalry for markets. It has become common to describe economic strength of an entity with respect to its competitors in the global market economy in which goods, services, people, skills, and ideas move freely across geographical borders [7]. Outcomes can be achieved through competitive potentials through the competitiveness process [8]-[11].

2. Theoretical Frame Work

This research review is based on multifaceted theoretical framework that will help us in identifying the current level of Pakistani private sector textile manufacturing enterprises and the indication of future path selection for

achieving sustainable growth [11]. Firstly, the most relevant is the work by Porter [12] in the field of Competitive Strategy and techniques for analyzing industries (*i.e.*, please see **Figure 1**) and competitors to further analyze the current situation of Pakistani textile manufacturing enterprises.

The reference of the theoretical framework that focuses on resource based view of a case study for a firm, especially human resource based strategy of an organization is utilized [13]. The theoretical support rendered by Madu *et al.* [14] is also relevant here which presented the concept of strategic groups for different technology and collaboration that was further extended and refined by Takala *et al.* [15] to describe the usual development route of global industries. The research paper has highlighted the fact of establishing the correct ways and means for the corporate players to achieve and shift the role of “Technology Specialist” to the seller of commodity products, with extensive shift of the focus of reaching the collaborative partnership role and then attaining finally the “problem solver’s role” in the technology intense countries. In addition of above, the theoretical support from the concepts like “Benchmarking” and “Competitive Priorities” will play pivotal role in understanding the current level of the industry and the gap between the present and future desired achievement levels, through the best possible ways.

Current challenges of Pakistani Textile Enterprise;

According to the present situation of the country [16] Pakistani Textile Enterprise is confronted with the following major challenges:

(a) Obsolete and low cost technological solutions and infrastructure. The technology is something ever-changing in accordance with the demand and requirements of the time. The product manufacturers have to keep pace with the current trends, and try to shrink the lead time for the sustainable growth of their business and attract their customers with the latest products and innovative designs for achieving customer loyalty and attention. An intelligent way to assess the technology status of the enterprise is to calculate the industrial failures and losses it bears [17]. The conscious study of some of the recent estimates of industrial failures and losses to the textile enterprise in Pakistan, clearly hints towards the usage of obsolete technology and its processes.

(b) Unskilled or poorly trained Human Resources. Also extensive training is required to refine the skill level of workers in accordance with the latest techniques and requirements to compete with the local as well as international standards. One of the major reasons for these losses is unskilled workers [18]. It has also been observed that if the industry has managed to attain advance technology then the semi-skilled or even the skilled workers sometimes struggle to match their expertise to required level of technological advances as sometimes the new equipments require more specialized skill levels. Hence, the industrial training management resists training their workers, keeping in view the highly fluid and short lived nature of market in comparison with the high training costs.

(c) In addition to above , there are more issues involved in the decision of Human Resource Training aspect here that are important if the industry wants to be in the lead and these are as follows:

- The Frequency and quality of the training programs be improved in comparison with the global standards and requirements;
- Training of the trainers up to the competitive level;
- Succession planning and balanced supply of the trained labor force be maintained at all times;
- Product specific trained skilled labor force be imported on temporary basis on the occasion of skill shortages & emergencies.

(d) Lack of expertise in the field of “Product development and design”. Currently, no priority is given to establish and upgrade the areas of designing and development to create high demand of the local product globally



Figure 1. Five forces shaping industrial competition-M.E. Porter-Model [19].

to compete professionally and on sustainable grounds [20].

(e) Lack of attention towards upgrading the certified standard levels due to which the Pakistani Textile products often get ignored, [21] fetch lesser price, considered as poor quality or the products regarded as having low standards having bad reputation.

(f) The lack of proper and effective “Marketing and publicity” support to Pakistani textile products. Among different Pakistani Textile Products, apparel market segment is considered as the highly vibrant and subject to continuous change as having closely linked with the global fashion [22] trends, which are extremely short-lived. Hence, it is important to react by offering the latest products, in accordance with the market demand, in time. Pakistani Apparel (Ready Made Designer) products have limited base in USA and European markets due to the lack of proper marketing and publicity techniques [21]. Therefore, during the recent recession and economic crisis period and having the smaller share of Apparel market, Pakistani products are facing increased level of vulnerability.

(g) The ultimate challenge for the Pakistani textile sector, after the WTO and rising global competition is to opt for the highly expensive automated industrial operations and solution and to face the impact of ever-challenging quality standards [23]. In the absence of the above mention improvements, it is strongly feared that Pakistani textile products will face the increased level of Textile exports rejection.

(h) Environmental challenges in the form of tougher regional competition (*i.e.*, China, India and Bangladesh etc. in Asian regions) and high costs manufacturing of domestic textile products due to the current economic, energy, judicial, political and security issues rather crisis in the country are also posing much serious threats.

3. Research and General Suggestion

With respect to Pakistan textile Sector, it is assumed that a complete revival on the basis of industrial revolution is required to bring about necessary and positive change otherwise it is feared that the hopes of enhanced exports remain dangerously slim and grim. Therefore my initial suggestion is to conduct a proper research through case study taking the case company examples among the leading textile enterprises of Pakistan, namely, Nishat Mills, Gul Ahmad textile, Nishat Chunnia, Chenab textile Mills etc. to assess the real scenario and health of the Pakistani textile sector on the basis of quantitative and qualitative research tools, supported by relevant theoretical frameworks. The well tested among the research tools is Analytic Hierarchy Process (AHP) method [20] which is a multi-attribute decision instrument that helps the researcher to consider quantitative, qualitative measures in making superior estimates and analysis. The AHP can effectively be used in this research to deal with the empirical part, with the support of comprehensively developed questionnaires. An effective approach will be “to establish the model of hierarchy structure for operational competitiveness [19]-[21]. This study structures the hierarchy model of competitiveness priorities of manufacturing strategy, as displayed below in **Figure 2**.

An ideal scenario will be to select main criteria consisting of the key priorities like: know-how, flexibility, delivery, quality, customer focus and costs. These are infact the typical items used in evaluating the competitiveness priorities in multi-facet manufacturing strategies in similar research studies [19] [20]. These are among the usual base items normally selected in the similar research case studies to devise comprehensive research questionnaires and interviews. Here the suggested sub-criteria should include 30 criterions, such as knowledge management, fast delivery, low defect rate, low cost, etc. to evaluate and conduct the comprehensive research.

After reviewing the current research analytical gaps future steps will be evaluated accordingly. However, according to the insight gained by going through the previous researches and statistical data evaluation my general views and suggestions are as follows:

To survive in the current highly competitive global market and face the intense innovative corporate battle Pakistani textile industry will have to [24] overpower the following key challenges:

- Offer quality products at the competitive cost;
- At the right time, by identifying the customers, tastes, desires and needs;
- Efforts to diversify the market;
- To overcome the Quality, and productivity issues of the textile enterprise;
- In line with the customer’s desires and tastes;
- Establish the market intelligence and refine the marketing and publicity framework;
- Efforts to build a high class image of the Pakistani textile products in the international markets;
- Intensive efforts to improve the HR skill levels on the basis of intense trainings and provision of required infrastructure;

Competitive Priorities in Manufacturing Strategies

Know How	Flexibility	Delivery	Quality	Customer	Costs
R & D K n o w l e d g e C r e a t i v e C o n t i n u o u s P r o d u c t T r a i n i n g M a n a g e m e n t	D e s i g n V a r i a t i o n F l e x i b l e B a n d w i d t h A d a p t a b i l i t y S e r v i c e	E f f i c i e n t A c c u r a t e A v a i l a b l e R e l i a b l e D e l i v e r y	L o w P r e c i s e R e l i a b l e E n v i r o n m e n t a l C o n s i s t e n t	A p p r o p r i a t e P r o d u c t P e r f o r m a n c e C u s t o m e r M a r k e t D e m a n d	C o s t V a r i a b l e Q u a l i t y A c c u r a t e C o n t r o l

Figure 2. Competitive priorities of manufacturing strategy.

- Development of strong R & D [25] facilities and infrastructure to cope with the current product innovation challenges and sustainable growth of the enterprise;
- An approach shift from “Vertically integrated units” to “Contractual Control” having the element of outsourcing is required to overcome economical and quality concerns [26]. The negative point of vertical concerns are that they require extended volume before initiating the production operations, hence these are less flexible due to have much focus on limited product lines & causing high operational costs than that of the specialized manufacturing units.

4. Conclusions

To conclude, it must be acknowledged that Pakistan’s private sector—Textile manufacturing enterprise has managed a successful shift from core textiles products towards high quality readymade clothing production and their successful export operations to the European as well as the American markets, even though, the tough quota restrictions, lack of Government support and the economic, power, political and security crisis in Pakistan are the major concerns of the hour for Pakistani Textile Industry [27].

Pakistani Textile industry showed presence of mind by timely responding to the foreign market demands, highlighted by the growing international focus on fashion and diversity in the textile products and the said fact is also evident from the national export growth. Limited resources and the lack of Government support have forced the Pakistani textile sector a slower pace growth although it has achieved international recognition and fair acknowledgment due to having great potential and quality to impress the international buyers [26] [27]. That is the core reason why Pakistan’s textile exports share struggle and continue to be concentrated in the low-value segment.

There is a great need to develop and organize the textile sector of Pakistani origin with the key focus on

“Quality of the Product”, “Commitment to meet the deadlines and targets with utmost reliability”, at the “required destinations” and on the highly competitive costs, by focusing on productivity and efficiency issues of the industry and develop strong international appearance on the basis of strong positive reputation. Here, complete revival of research and development sections within the industrial units, as well as a superior and smart R & D support system at Governmental level to support the textile sector is a need of the hour to win the foreign market share. Though currently, APTMA (All Pakistan Textile Manufacturing Association) is assuming a superficial role by doing what the government requires for bargaining purposes instead of focusing more on the revolutionary steps for the true revival of the Pakistani textile industry [26].

Pakistani textile industry is currently facing multi-level pressures with regards to the competitive aspect as it has to cope with not only to international competition but at the national level textile manufacturers and related sectors energy and raw material suppliers.

Here, it should be mentioned that few of the industrial units/industries have their own energy arrangements like Grids stations; hence, their production cost is much cheaper than those who have to depend on WAPDA tariffs etc. Transportation and packaging systems arrangements are if in house then it will be a positive effect on the production cost accordingly. Hence, it is strongly recommended that the Textile sector should develop and implement package [27] of improvement to survive effectively the external pressures, as the Government can be made responsible for the provision of supportive environment or the international linkage like negotiating with the other Countries for “Quota” or the arrangements for trade fairs etc. through the Embassy or High commission.

Technological revival in the areas of ginning, spinning, weaving, or apparel industry as well as the keen focus on the ways and means to develop and succession planning of the “Human Resources” are the main recommendations for the sustainable development of Pakistani Textile Sector.

Pakistani Textile Sector should think on making a strong shift from its current strategy of “Playing safe” towards “Innovative and radical strategy” to make a stronger appearance in the global scene, as the prominent players Pakistani Textile sector (*i.e.*, Nishat Textile, Gul-Ahmed, Chenab Textile mills etc.) should [27] be confident enough on the potential of their products that have already made a mark on the global scene, even without having any forceful effort from the rest of the sector for winning the global race.

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