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Journal home page:  
www.msocialsciences.com**Internal Factors Affecting Export Performance of Textile Weaving Factories  
Pakistan: Literature Review****Allah Dad<sup>1</sup>, Asif Mehbub Karim<sup>1</sup>**<sup>1</sup>Binary University Malaysia

Correspondence: Allah Dad (allahdadpfd@gmail.com)

**Abstract**

The Textile Industry of Pakistan is considered as life line of country's economy. It accounts around 55% share of total economy. Major exports from textiles are yarns, raw and finished fabrics and also limited quantity of value added textile items. However from last one decade textile industry is facing lot of problems in terms of getting and maintaining export orders. Most of customers globally now giving preferences to other regional competitors. Due to this Pakistani Textile Industry losing its competitiveness day by day which resulted loss in millions of US Dollars per years. The raw woven fabric manufacturing sector that lies almost in middle of supply line having sharing of 8% in world exports. The performance of this value added product responsible also overall performance of sector. The literature review on internal factors specifically related to this sector still in gap which author tries to cover up. The literature review delineated accordingly with respect to internal factors such as product types, innovations, energy cost, inventory and green textile concepts which gives effect on export performance of weaving industry.

**Keywords:** weaving industry, export performance, textile weaving**Introduction**

The textile industry has preeminent position in the industrial structure of Pakistan, as it caters to one of the basic necessities of human life, namely, clothing. The value of the global textile mills market totaled \$667.5 billion in 2015 (around 83.1% were fabrics and 16.9% were yarns), up 1.5% from a year earlier. The compound annual growth rate of the market was 4.4% between 2011–15. Asia-Pacific accounted for 54.6% of the global textile mills market value in 2015 and Europe accounted for a further 20.6% of the market. The global textile mills market is forecast to reach \$842.6 billion in value in 2020, an increase of 26.2% since 2015 (sheng lu 2017, WTO Statistics 2016). The compound annual growth rate of the market in the period 2015–20 is predicted to be 4.8%. Consumption of clothing is more income and price responsive than food, for example the International cross-sectional analysis has shown clothing expenditure has an income elasticity of about 0.9 while food has an income elasticity of 0.1 to 0.3 in high-income countries (Seale, et al, 2003).

Export is considered as an activity in which country produced products domestically and sent to other foreign countries for earning revenues (Griffin & Ebert, 1995). This activity is done when any country cost of production is high and not enough to produce in large quantity as any country needs than such

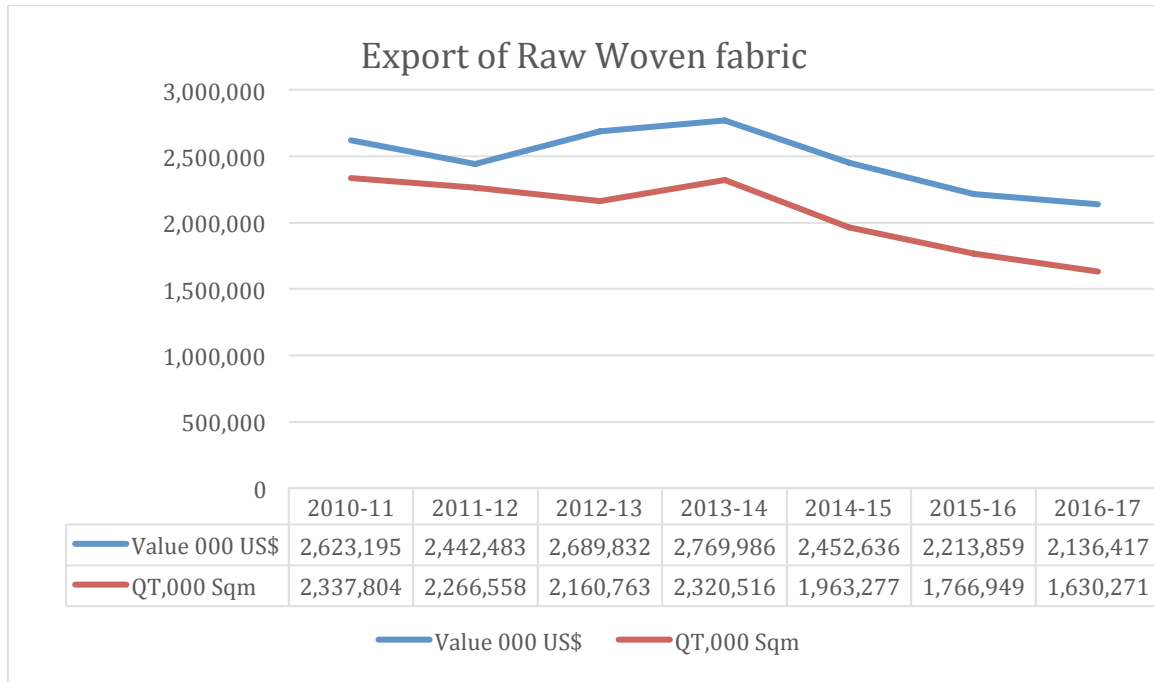
products are sent to other countries on their demands and the product may not have enough life to justify huge direct investments and the political factors are not favorable (Cherunilam, 2005). The export competitiveness or export performance generally can be measured by several factors, for instance, real exchange rate, comparative advantage, export share %, terms of trade, geographic concentration, trade policies, world income etc. According to the economic survey of Pakistan (2015) by Ministry of finance, Pakistan is the 4<sup>th</sup> largest producer of raw cotton in the world and now at 6<sup>th</sup> position from 5<sup>th</sup> exporters of raw textile goods in world. China, the European Union and India remained the top three exporters of textiles in 2015 .Altogether, they accounted for almost two-thirds of world exports. The top ten exporters in terms of raw material/semi-finished goods, all experienced a decline in the value of their exports in 2015, with the highest declines seen in the European Union (-14 per cent) and Turkey (-13 per cent) and Pakistan of -8%. The smallest decline was recorded in China (-2 per cent). Among the top ten exporters of clothing, increases in export values were recorded by Viet Nam (+10 per cent), Cambodia (+8 per cent), Bangladesh (+6 per cent) and India (+2 per cent). The other major exporters saw stagnation in their export values (United States) or recorded a decline including Pakistan (WTO Statistics 2016). In terms of Revealed comparative advantage, Pakistan has 1st rank, in raw cotton textile manufacturing whereas India has 3rd rank, China 4th and Japan 12<sup>th</sup> in 2016 which was calculated using Bella Balassa Revealed comparative advantage index of 1965 (Grish Kumar,2017).

The textiles industry may rightly be called the buttress of Pakistan's economy for following three reasons. First, its backward linkage with the agricultural sector in form of raw material, the life line of Pakistan's economy.

Second, yarns and fabric manufacturing are the biggest manufacturing units in the country, accounting for the largest share of manufacturing investment, value added products and employment. Third and most important, these are high export interest enterprises. The Pakistani textile raw woven fabric manufacturing industry consists of three distinct sectors representing broadly three levels of technology and organization, namely high speed looms of mill sector, power looms and handlooms. The handloom sector is time oldest among them with a long tradition of excellence and unrivalled craftsmanship. The mill sector and power loom sector is the dominant sector in terms of investment, output, exports and technology. The weaving mill sector and the power loom sector considered as major responsible for export and high level of ability to develop millions meter fabrics per year(Annual report of APTMA 2015, Trade Development Authority of Pakistan) while hand loom weaving sector is considered the decentralized sector and not contributes in any significant role of export activity. The sector product called raw because it develops without any chemical finishes applied onto the fabric such as dyeing, printing or any other functional finish. This sector mainly produced cotton fabrics and also with their blends of polyester and viscose. But more than 80 % exports of this sectors comprises of cotton base raw fabrics.

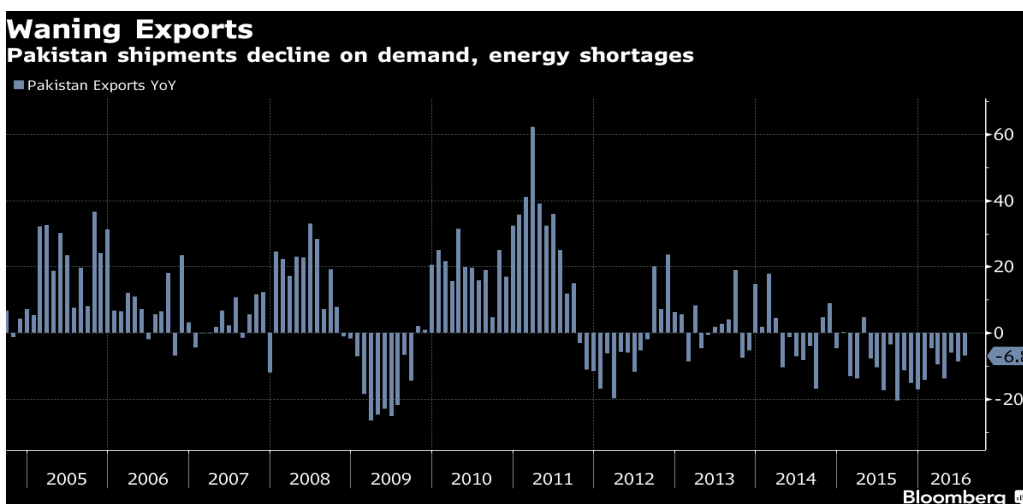
The companies who entered into the exports activities found prolific and proficient in performance as compared to other non-exporting companies (Alvarez 2005). Pakistan has edge in exporting raw woven fabrics due to availability of cheap raw material as like in china and India , more investment and expertise in raw woven fabric of cotton and its blends of coarser quality manufacturing than India and Bangladesh and Sirilanka((Robbani (2004) and Soan Roy, 2013) and also having cheap labour cost of 0.9 to 1 US \$ per operating hour as compared to other regional competitors china and India of 1.12 to 3 US\$ (Werner International, Inc. 2014 USA and Gereffi, 2003) the geographical position of Pakistan also in terms of trade efficiency through seaport like Karachi and Gwadar seaport which is also the nearest warm-water seaport to the landlocked Central Asian Republics and Afghanistan via Indian Ocean. But from the last few years raw woven fabric manufacturing sector losing its share in exports, losing its competitiveness in making raw woven fabric which resulted sector unable to get more orders Due to this it is losing its export rate and value in US dollars which is evident by Trade Development Authority of Pakistan ,Ministry of textile Industry and commerce Pakistan that in the previous years from 2012 to 2017 the overall output and exports of raw woven fabric reduces around 10.1% to 20% which is actually losing value in millions of US dollars(Textile Brief, Pakistan textile Journal 2016, APTMA 2016, Ministry of Textile,2016) Also having less orders from the customers and even unable to complete the orders on given prescribed time due to such things importers giving preferences to

other regional countries like china, India and Bangladesh. There is a big opportunity in rising the textile exports as their demand is increasing day by day but Pakistan instead of increasing export level especially in raw fabrics is showing stagnant or decreasing level. As Bangladesh has increased its share in global textile trade from 1.09 percent in 2006 to 3.3 percent in 2013. Similarly, India increased from 3.4 percent to 4.7 percent, China from 27 percent to 37 percent while Pakistan has dropped from 3.1 percent to 2.1percent (Business recorder, Pakistan July 31, 2015). The export and fabrication of raw woven fabric’s sector trend is non satisfactorily, instead of increasing it is decreasing which is shown below:



Source: Pakistan Bureau of Statistics and Ministry of Textile, Pakistan

Also in last few years export shipment declines from textile sector of Pakistan. The trend shows non satisfactorily performance due to less orders and energy shortages.



Source: Faseeh Mangi and Chris Key, 2016 Half a Million Jobs Lost as Textile Crisis Hits Pakistan's Economy, Bloomberg

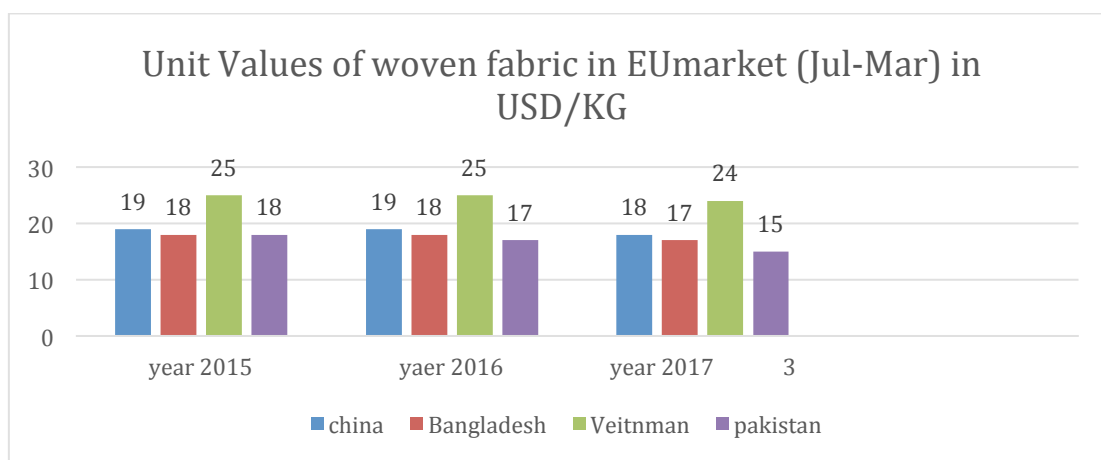
In recent time of year 2017, Textile exports fell by 1.0 more percent during Jul-Mar FY17, after declining by 8.2 percent in the same period last year. The drop is mainly explained by lower quantum exports of low value-added products like cotton and fabric, as global cotton prices rebounded in the period under review. Exports of some high value-added items, like bed wear and readymade garments, increased during Jul-Mar FY17; encouragingly, their better performance was largely a result of higher quantum, mainly due to a recovery in demand from the key EU market.

Textile Exports Price & Quantum Impact (YoY) during Jul-Mar FY17

million US\$	Quantum	Price	Abs. change
<b>Low value-added</b>	<b>-186.9</b>	<b>23.4</b>	<b>-163.5</b>
Raw cotton	-40.3	3.6	-36.7
Cotton yarn	38.1	-85.8	-47.6
Cotton raw fabrics	-174.9	104.2	-70.7 (higher)
Others	-9.8	1.3	-8.5
<b>High value-added</b>	<b>69.9</b>	<b>34.9</b>	<b>104.8</b>
Knitwear	-57.9	45.8	-12.1
Bed wear	123.5	-40.2	83.3
Towels	4.5	-17.0	12.5
Tarpaulin	25.9	12.9	38.7
Readymade	109.1	-13.5	95.7
garments Synthetic textiles	-135.2	46.9	-88.4

Source: Pakistan Bureau of Statistics

However, in terms of price factor, the gains in export values are still not appearing. In fact, Pakistan’s exports of raw woven fabric to advanced economies face tough competition from regional competitors. To make products more attractive, exporters slash their prices. In this way, they tend to maintain their product share in the international market. This situation has been clearly visible in the EU market this year, where Pakistani exporters have received lower unit prices for clothing items (raw woven clothes), as compared to their regional competitors.



Source: State Bank of Pakistan Calculation.

Pakistani exporters cut down their prices in order to remain in business. But also this thing not went into their favor in gaining more orders and having less orders of exports in sector of raw woven cotton cloth. Their production and exports going decreasing day by day in recent past few years.

A recent study by Siddiqui et al. (2011) calculated total industrial output loss by taking into account all major industries including textile and reported that output loss falls in the range of 12 percent to 37 percent due to power outages. This study doesn't take into account the production delays by sub-sectors of textile industry at all. Also not discussed other social, economic or technological factors in the above study. This restrictive assumption opens more ways for discussion in identifying more reasons for fabrication loss rather than concentrates only on energy shortage and its impact. Along this one more study based on a survey conducted in the second quarter of 2008 while taking 2007 as the reference year (Walayat 2008) It again only account impact of power shortage such i.e., severity of power outages, capital flight, increased use of alternative energy resources on production that shows loss in total output rate. According to studies [Goldstein and Khan (1978), Muscatelli, et al. (1992), Hassan and Khan (1994) and Attique and Ahmed (2003)] it has been found that the demand and supply sides are the major determinants of exports but other factors affecting the exports of textile sector have received scant attention. Later study on the factors of exports performance evaluated and model of supply and demand were developed by study of Attya and Rabbya latif (2013) on whole textile sector related to supply and demand side only. The national and regional competition are important: however, countries still need to improve the competitiveness of their firms in order to compete the global market (Porter 1998). The performance measures are used to evaluate and control the overall business operations, they also used to measure and compare the performance of different organization in the industry, plants, departments, team and individuals (Ghalaini and Nobel 1996: Mapes 1997: Parameter 2009). Against this backdrop, Being a researcher, and having experience as a textile student than teacher also worked as textile consultant in various factories. And having chance to research on the performance issues of one specific sector that is raw woven fabric manufacturing sector which is also called weaving sector. The researcher will graft on the factors which affects the exports performance of this sector. The study finds out short comings which are responsible for loosing export share and gives a detailed comparative analysis of their factors related to export oriented raw woven fabric manufacturing factories of Pakistan.

## Literature Review of Internal Factors

Performance and its phenomena is actually the measurement of organizational targets in terms of its goals and objectives. The performance indicators are physical values which are used to measure, compare and manage overall organizational performance. The indicators are quality, cost, financial Management, flexibility, employ's and customer satisfaction, safety and the training (De Toni, 2001, Parmenter 2009, white 1996). The accountability of such factors includes delivery reliability, socio-economic performance and productivity also considered the key performance indicators of firm's overall performance (Sinclair and Zaira, 1995). To measure the performance level by doing comparison with other organizations is very important in order to achieve competitive advantage over other competitors. The performance can be within the departments, sub departments, teams and individual processes (Ghalyane and Nobel 1996). In Pakistan various manufacturing sectors of various sizes from small to large companies are working such as automobiles, textile, sports and electronics, the indicators such as customer and employee's satisfaction, delivery reliability, and social performance have positive impact on the overall performance of the organization that can leads towards competitive advantage of the sector( Ishhaq Bhatti,2013). However the relationship between the size and age of firm with performance of organization is still non satisfactory. Those companies who are in large scale of production can produce large quantity of goods but only on availability of orders, sometimes many large companies remained at underutilization stage of machines due to less no and quantity of orders. Contrary to this medium scale organization can produce quality goods and having reasonable share in exports by attracting more and more customers. One of example is design based goods of leading textile brands who producing less quantity but according to latest fashion and trends. Such product are consuming and demanding in large quantity. Many researchers work on this aspect and found two fold results (Lundvall & Battese 2000, Yasuda 2005, and Usman 2014). Hence it

was concluded that the companies who bring changes with respect to expertise by using innovations and technology gives significantly growth rate as compared to the companies who do not bring changes in their set up and rely more on their experiences and age of the firm. In manufacturing of labour intensive product, role of labour and their cost always played a vital role in making and doing their task effectively specifically in export oriented industries (Taneja, 2012; Lal, 1999). The removal of quota system and opening market into more opportunities made two fold impacts on manufacturing export oriented industries. Sri Lanka failed to be benefited completely from open market opportunities, in short this removal was not in favour of its garments industry and also definitely adverse impact on employment because of losing competitiveness and uncertain situation of market (Dheerasinghe, 2003). In comparison to Sri Lanka developing nations like India and Pakistan benefited a lot in terms of low wages labour and availability of skilled labour on large quantity made them able to compete in labour intensive export products of textiles. Such countries made themselves able to produce large quantity of materials and intermediate products for domestic and international market. However low productivity, less product diversification, less innovative products, high energy cost, capital cost, lack of modern infrastructure specifically related to weaving and finishing sector undermine the textile export industry's competitiveness (Shetty, 2011). (However those companies who are operated domestically found more efficient in exports rather than foreign company operated in country due to giving double taxes and other laws and also private ownership factories are more export oriented rather than public. Labour productivity at firm level, size of firm, intensive raw material are determinant of export activities.

The cost of raw material is the core cost of final product. The firms usually faced lot of challenges in setting price on their cost. Cost and quality are directly proportional to each other but they are inversely proportional to value addition. However the value of product can be increased by reducing price or by increasing cost by adding more inputs as terms values. In many, time cost and raw material cost directly affected by price and availability of substitute products (Lal, 1999). One of the example is of Taiwan's polyester fiber textile industry faced problem of price setting due to availability of competitive product. The export of polyester fiber not affected by weather condition only, it also due to increase in cotton production, price of petroleum which is essential for making polyester and also by demand in market (Li, Yeh, & Li, 2008). The raw material cost contributes into overall product cost. Hence to keep balance between cost and quality is very important and have positive relationship between them but negative relation to value addition. The more value can be improved by reducing price or increasing the cost. The availability of right quality raw material is very significant (Lal 1999) because of availability of substitute material and of its quality. Technology capability in terms of cost of technology and access to technology for product and process innovation are also important factors and have significant impact on performance of the firm (Taneja 2012).

Quality is to be considered customer requirements, from the time of world economic recession every organization put its focus on producing products cost effective by keeping in view the value addition. Value addition in their production line as well. By doing such activities companies believe they will keep their comparative advantage across different organizations in the world even in less opportunities in market world. (Alsmadi, Lehaney, & Khan, 2012). The occurrence of lean concept considered one of major change in management exercise over last two decades. The word lean was introduced in 1990 by Toyota company famous known as Toyota production system and it was developed in order to maximize output cost effectively by eliminating or reducing waste from manufacturing line. (Dahlgard & Dahlgard-Park, 2006). It works to optimize cost, quality and service sector. Service constantly. Toyota Company worked on the concepts of lean manufacturing by eliminating waste and increasing output. In literature lean concept is defined into three types, a philosophy, set of principles and lot of practices in the form of bundle (shah 2007). Waste is considered anything that does not play any role in value of product or service with respect to customers. (Ohno, 1988). Waste are divided into eight types one is inventory, rework, over production, motion, material movement, waiting and over processing (Shingo, 1992). There is many disagreements are exists on the definition of lean practices but all of them are agrees on one point that its elimination of waste from the production line, adding value into final product, it is continuous improvement practice, its quality management and pull production. (Cua, McKone, & Schroeder, 2001; McKone, Schroeder, & Cua, 2001; Shah & Ward, 2003). However a very comprehensive definition given on lean practices which includes both people

and processes are responsible for quality production either internally or externally in form of customers as well.

The lean manufacturing concepts has direct and positive impact on firm's performance. Through this concept the waste in the form of imperfections and inefficiencies in companies operational processes can be removed which will give overall firms better performance. Empirical research evident that lean practices as given by Toyota Company in 1990 are applicable in both product as well as service sector. By adopting such practices companies can improve their productivity and efficiency (. Majed Alsmadi , Ahmad Almani ). Rula Jerisat (2012) gave comparative analysis of Lean practices and performance in the UK manufacturing and service sector firms by using Total Quality Management & Business Excellence method and obtained effective results. However this concept has been adopted by many garment sector.

The quality of product is determined mainly by using two factors one is its raw material and second is use of latest equipment or advance technology that gives its competitiveness. Companies who entered in export oriented activities its competitiveness are linked with ability to buy or use latest technology for its manufacturing (Taneja, 2012). One of the example study conducted in Lao where innovations considered as basic factor of export performance and firm's profitability (Kongmanilaa & Takahashi, 2009). Use of information technology also has positive impact on export performance. It has positive relationship with capability of the firm with more flexible achievement in garment designing and produce according to international standards. However the main thing is how much adaptation made by manufacturing unit is significant. One of the research conducted by Abraham & Sasikumar in 2011 and concluded that capital and technology did not effect on exports because Indian textile firms were more focused on producing cheap and in expensive textile products mainly done with cotton, silk and linin as compared to premium product quality like in medical, technical. Smart textiles as like done in china and US. The concept of firm openness and its impact on productivity by focusing changes in number and type of firms, trade quantity is studied by Baldwin (2005). It develops and sets out basic heterogeneous firm trade model which is similar to Melitz (2003). The concept reveals that returns to entrepreneurs and their efforts of trade and productivity depends on their exposures to international competition (Corden, 1974). Another study by Krueger and Tuncer (1982) estimates the rates of total factor productivity (TFP) growth for two-digit manufacturing industries in Turkey during 1963-1976. The paper shows that periods of slower productivity growth coincided with periods of stringent trade regimes. These findings are not confined to developing countries. The effects of a reduction in U.S. trade costs are inspected by Bernard, Jensen, and Schott (2006). However openness not only to be awarded globally only , not only upto exposures of technology and equipment it also included how much company welcomed ideas of their workers, how much workers are empowered for doing their tasks. This role of firm's openness always be significant in overall performance of company.

The concept of sustainability development has become an important segment in growth of companies. The development must be made by meeting need of today without comprising of future need. (Daly & Cobb, 1994; WCED - World Commission on Environment and Development, 1987). However the development must be obtained that does not hinders the three main pillars of society one is economically, environmental and third social responsibility. Companies must be developed economically without any compromising on their integrity while socially must save or respect human rights, with social equity and investments and through environmentally companies considered aspects of environment. Not any kind of development that damage environment. There is strong relationship between sustainable development with performance of business along involvement of government and civil society partnership in order to make this concept concrete (Laura C. Maia, 2012). The price of good always reflect all cost, financial, environmental and social cost involved in making them, using and recycling them (Holliday et al. (2002). While this concept of saving environment and society also apply to service sectors as well companies must developed their businesses without compromising future of planet. Similarly Environmental issues are also playing progressively important role in the textile industry, both from the point of view of government regulation and consumer expectations. Almost everywhere in the world and in all industries, the sustainability movement has been established. In this context, it has to be stated that the textile industry is one of the biggest contaminants.

Sustainable textiles have grown in admiration because of the moral realization that many people feel, among others. A number of fashion and design companies are shifting their unsustainable ways also.

However in recent years ecological issues have become more and more important especially in the textile and apparel industry, an industry not noted for eco sociability. Every textile item releases toxic substances that are harmful to the environment. The traditional textile industry consumes large amounts of natural resources and pollutes the environment because their production and processing involves Chemical Intensive Applications; therefore is a rigorous need for green textiles. In case of raw woven fabric manufacturing most of contaminations comes as in hard as well as soft waste. Most of the waste in terms of yarns, fabrics, sizing chemicals, and polluted water of sizing that must be treated before putting it into drain or waste storage tank. So controlling pollution is as vital as making a product free from the toxic effect during the production processes. The utilization of rayon for clothing has added to the fast depleting forests and opened the door to the development in natural sustainable fibers like organic cotton, hemp and bamboo fibers. Petroleum-based products are harmful to the environment. An integrated pollution control approach is needed in order to safeguard the environment from these negative effects. Fabrics made in eco-friendly way can substitute the products that are not sustainable. Green textiles refer to clothing and other accessories that are designed to use organic and recycled materials, less packaging and more energy-efficient manufacturing. The reduction of the environmental impact throughout the life-cycle of a fabric item or the use of lower impact products can contribute to the improvement of the actual situation. There are four major environmental key factors associated with the production of textiles: water, energy, pollution, and use of non-renewable resources.

However sustainable textiles mean that all materials and process, inputs and outputs, are healthy and safe for human and environment, in all phases of the product life cycle and all the energy, material and process inputs come from renewable or recycled sources. Moreover research conducted by Aberdeen Group in year 2008 in order to measure the sustainability in supply chain for green products. According to this research desire to be leader in green sustainability , rising cost of production /fuel prices and product differentiation for competitive advantage were main concerns drivers towards company green supply chain. (Schechterle & Senxian, 2008). The outcome of this research those company who failed to implement the initiatives effectively faced tough competition and negative effect on company brand image because implementation in correct way very important as compared to just understanding about environmental exposures concerns. The importance of energy in terms of electricity usage in manufacturing units cannot be denied. The cost of energy per unit product always be an essential part in terms of financial performance of companies. However the concepts of energy efficiency is actually use of energy resources by an organization more effectively by minimum wastage in production processes. Those companies who put its effort in managing and maintain usage of energy effectively found more productive and competitive because of reduction in their energy cost and also by limiting emission of carbon. This concept is considered an effective approach towards gaining competitiveness (IEA, 2014). Energy efficiency and reduced carbon emission took as challenge by Swedish manufacturing companies and set out policies regarding this issue. They set improvements in energy efficiency as strategic priority. In production units electricity considered as catalyst for growth of developing countries. The availability of electricity at cheap rates are very important for obtaining competitive edge over product cost. Most of developing countries like Bangladesh, India, Vietnam, Sri Lanka and Pakistan facing energy crises over last many years and due to this lot of investments have been made in production of electricity in house through oil or gas. This investment done by companies gave a major input in overall cost of manufactured product. Such potential benefits of electricity have spurred investment in electricity projects in developing countries with the World Bank's lending for energy projects doubling from \$3.9 billion in 2007 to \$8.2 billion in 2011 (World Bank, 2011). Although increased investment in electricity projects created in balance in cost of production. Due to this increased production cost most of the companies alter their product type from more technology intensive to manufacturing goods by utilizing less machines in order to maintain their cost. In return to this it created negative effect on overall productivity of companies. It was evident in literature about positive relationship between technology and growth (see, for example, Isaksson (2007) for a review of the literature. Despite the perceived relevance of reliable and affordable provision of electricity for growth, there has been little empirical work on how firms' technology choices and, hence, growth are affected by electricity constraints. Similarly rising energy costs and increasing demand make energy

efficiency an absolute priority for Pakistan. It is the least-cost way of bridging the energy gap. However the marginal cost of additional supply is much higher than the cost of investing in energy efficiency. Additional benefits include reduced consumer energy bills, and a cleaner environment (lower GHG emissions).

Inventory contains all material which company hold and possesses for its production processes. The effective management of inventory considered important factor for productivity and also help in making unique products that leads towards competitiveness of organization (Stevenson, 2010). Inventory management is actually to measure current level of stock, calculate future demand of material and also helped in making decision right time of purchasing stock and from where is to be purchased (Adeyemi and Salami, 2010) However not only to choose right place and type of inventory it actually gives positive effect in business operation also when its continuity maintained. In literature vast array of inventory management best practices are discussed such as Just in time ,vendor managed inventory, collaborative planning, forecasting and replenishment, automatic replenishment, agile system, and material requirement planning discussed and showed its positive effect on productivity of company.

Globally concepts of creativity become hot issue in business and entrepreneurship research that companies should respond on new opportunities which leads towards the competitive advantage of company. Along this it is considered as basis of business growth and key factor for survival of the companies in international competitors (Fillis and Rentschler 2010; Houghton and DiLiello 2010). Through creativity companies can be set standards and make business environment different and competitive (Shalley, Zhou and Oldham 2004). All industries can be creative and also their creative strategy can add value to any organization with proper synchronization between creativity and strategies make organization more effective in innovations, business growth, leadership and better performance (Bilton and Cummings 2010). The manufacturing sectors need to improve in their processes in order to face the world. In this manner concept of intelligent manufacturing became very important. The new model of transforming manufacturing processes into proper networking, data base sharing, make order on customized way, ethic manufacturing in terms of environment, superior effectiveness of resources, capable human potential and distinct knowledge development (EC 2016). The European commission gives new domain of manufacturing units as factories of future called fourth stage of industrial revolution (BCG 2015). Future of factories based on information and communication technology based production, using latest technologies and intelligent capabilities in order to get or obtained desired performance with balanced utilization of resources for accurate production. Along this future of factories implemented concept of sustainability in manufacturing by the help of using most cost effective ways, making products in simpler way. This fourth generation concept of industrial revolution is acknowledged by many agencies and firms as such concept have positive impact on public private partnership work as well referred by Filos (2016). However this fourth generation of industry really needs proper training of human capital so that their ability to think more analytically and generates more provoking ideas. Research, development and innovation is new HORIZON 2020 program with starting with concept of sustainable process industry through resource and energy efficient (SPIRE). The main objective of this program of SPIRE is to make customized, attractive work place by enhancing integrated computer technology based process for small and medium size industries (Ricardo Jardim-Goncalves, 2016). Hence creativity is directly linked with the success of company. Acceptance of new ideas along their implementation can bring new life into the organization. Due to this companies must develop a working environment in which everyone creative idea must be encouraged which has direct link with objectives of company. This so-called open-minded community is founded on the culture of the organization. The significance of culture in organizational performance is widely acknowledged (Hogan and Coote 2014). A strong organizational culture is an important determinant of employee motivation (Kaur Mahal 2009; Meško Štok, Markic, Bertoneclj and Meško 2010) and culture of the organization plays vital role in betterment of the operational aspect of company. However performance of the firm depends upon on the behavior and attitude of workers. Employees having creative skills and productive skill will perform their abilities very well if they feel happy and comfortable in working environment. For this companies must develop conditions, healthy working environment for their inner work life, conditions links towards positive emotions, motivations and friendly comfortable perceptions of colleagues .In today's world of business

companies address their company's structure and culture in such a way that it must give creative solution of product development (Merrill 2015). So by developing or making workforce market intelligence network, firms can be able to respond on external or internal changes. For this new concepts of culture and supporting companies environment is required where freedom of exercise and freedom of personal initiative allows without any threat so that more innovation can be made.

Innovation is a tool in company through its operational side with respect to cost effectiveness can be improved which leads towards the performance of company (Porter (2001). Innovation is concept of acceptable new ideas, processes and products (Hurley and Hult 1998). For long term success and competitiveness this concept of innovation with creativity has become most important factor of competitive strategy (Clark and Guy 1998). Innovation capability itself is not a separately identifiable construct. The capability is composed of reinforcing practices and processes within the firm. However these processes are a key mechanism for stimulating, measuring and reinforcing innovation. (Kanter (1989) argued that organizations are most effective where the different resource needs of the "mainstream" and "new stream" are recognized and their management largely autonomous. Mainstream and new stream mean capabilities and innovation respectively. Hence Conceptualization of Kanter's model showed innovation capability (Vajihe Dalvand,2015). Accordingly, studying export firms, Golovko and Valentini (2011) notice that the innovation process depends on a firm's learning abilities, which may improve through exports. Therefore, Neely et al. (2001) claim that the relevant question "why are certain firms more innovative than others?" should be reformulated: "why do certain firms have a higher propensity to innovate than others?" The answer, according to Zhou and Wu (2010), based on a literature review, is that the innovation process implies that a firm must search, identify, and evaluate information from different sources. This knowledge is disseminated within the firm and transformed into specific product designs that constitute product innovation. Empirical evidence suggests that managers in current industry environments fail to notice how their industries are changing (Zoran Jovanovich, 2015). Therefore managers of companies must aware about coming new changes in order to be remained in business world. Companies who are able to respond fast on changes found more competitive and successful as compared to others who are not being able to respond fast on changes. Changes can be in form of technology, demand, supply, competition etc.

Being an important factor of competitive strategy, this can be achieved by materializing the new product line or by adding new value in existing product and through changes in process of firms (Tajeddini 2010). Firms that are more open to do experiments, they are more innovative, superior in knowledge, having advance technology as compared to their rivalries and having competitive edge over competitors (Ziegler and Nogareda 2009). However more experiments can also leads towards disaster if new process or experiments didn't match desired results. Every company must do experiment under controlled parameters in which they can change and control damage. Firms involve in new product development activity depending on the strategy they adopt. Results in more product innovation than others (Frambach, Prabhu, and Verhallen 2003). According to Miles and Snow (1978), those companies whole involves in process of new product development are prospector, they are more engaged in innovation than defender. In the literature done by various authors it is clearly observed relationship between innovation and differentiation .Frambach, Prabhu, and Verhallen (2003) gave concept of cost leadership and strategies of differentiation have positive influence on new product development activity. Frohwein and Hansjürgens (2005) proposed that if companies meant to achieve cost leadership advantage that it can be obtained through innovation either in product or in processes and focus on minimizing their cost. Qin (2007) proposes that innovation allows the organization to obtain economies of scale, reduce the cost, and gain market share.

Similarly the concept of continuous improvement become foremost point in today's competitive world of business modern manufacturing and service sector. This concept becomes reasons of sustaining competitiveness. However extensive efforts have been made in practicing of improving strategies, methods of technologies and implementations. Such efforts are made for obtaining long term competitiveness. Various studies done on implementation of continuous improvement concept, one is using of buffer stocks in order to improve performance in automatic transfer line which was introduced by Buzacott (1967).) Meanwhile lean manufacturing concept by Toyota Production systems, concept of continuous improvement reaches to new level. Just in time, Total Quality Management, Theory of

Constraints and numerous productivity and quality improvement efforts have been widely applied in continuous improvement practices in various industries and social organisations (see for instance Lascelles and Dale (1990), Golhar and Stamm (1991), Forker, Mendez, and Hershauer (1997) and Lockamy and Spencer (1998)). However in recent years this concepts is applying in various areas of manufacturing and service sector such as furniture, aerospace, textiles, product design as well in management and these concepts resulted in good way. Outcome of various manufacturing units also improved by incorporating such new innovative concepts. The concept of continuous improvement was first introduced in mid-1960 and yet after 50 year this concept has extended impact in both theory and practice of production research.

Similarly in recent years substantial advancement in technology, economies and change market generated various opportunities for continuous improvement innovations. Along benefits, basic principle of applying this concept needed scientific and rigorous quantitative approach in systems (Jingshan Li, Chrissoleon T. Papadopoulos & Liang Zhang, 2016).

Business competitive strategies, tactics have direct important role on performance of company (Spanos, Zaralis, and Lioukas 2004). However performance of firms can be measures by taking into loop all stakeholder such business owners, investors, management even customers, and there is not possible to measure performance of company only by using one stakeholder. Even non-profit organizations have started to track firm performance so as to deal with scarce resources (Kaplan 2001). Although in manufacturing organizations there are set patterns which are compulsory to follow. Employees need to be creative and put new ideas but have to considered company objectives and goals. In manufacturing sector each phase is dependent on outcome of previous phase. The concepts of creativity has to be limited as well but workers are free to their work by choice of their own methods but in collaborative way. However the employees are encouraged to have new ideas, but they have to be discussed together before taking the idea into action.

The word of knowledge management related to mechanisms of organizations that stimulate creating and building knowledge concepts within organization and give opportunities to other for sharing it but in protecting way (Lee, Choi 2003; Yeh et al. 2006). Knowledge management concepts of two categories one is technical knowledge management and second is societal knowledge management. In the category of first deals with information systems, communication and machine utilization understanding, transferring information and data to others as well (Tseng 2008) while in context of societal knowledge management it deals collection sum of all resources available that comes (Nahapiet, Ghoshal 1998). Furthermore social management knowledge divided into two types one is organizational culture and second organizational structure. Both have positive impact on effectiveness of knowledge management. Organizational culture related to values, beliefs, norms and expectation. However it works as binder between social actors and organizational goals. This binder creates creativity in the organization. Organization structure deals with set up of organization which facilities knowledge management systems. It includes technology, equipment etc (Huber 2001).

## Conclusion

The performance of weaving sector really gives its importance for overall success of whole textile sector. It was concluded that two major factors such as energy cost and product innovation capability/product type considered key internal factors from literature. The performance of these two factors bound towards the prosperity and competitiveness of Pakistani Weaving sector.

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