

## Strategic Analysis and Identification of Key Environmental Risks: A Case of Textile Sector in Pakistan

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**Abstract:** This research examines the external environment of the textile sector of Pakistan to highlight the risks that are the major causes of negative performance of textile sector during the last ten years. The business environment in Pakistan is unique in its nature. Its attributes and dimensions are comparatively more dynamic than other developing countries that survival of the business organization is a major challenge for most of the managers and entrepreneurs. Textile sector is the largest manufacturing sectors in the country and currently facing drastic situation due to dynamic external environmental factors. A number of textile manufacturing units have shifted to other countries like Bangladesh and Egypt due to their inability to cope with the existing conditions. Purposive sampling techniques have been used in this research in which data was collected through semi structured interviews. Data was collected from four stakeholders groups which include politicians, corporate managers, business owners and officials from different associations of the textile sector. After detailed interviews, content analysis technique has been used to identify the key risk factors of external organizational environment.

**Key words:** Environment • Risk • Textile • Pakistan

### INTRODUCTION

Organizational environment consists of physical and social factors that have potential to influence the organization in various ways. Researchers have attempted to define the environment by elaborating, classifying and analyzing its structure and role in organizational performance. Whereas, contemporary organizational environment with its numerous affecting factors is changing so dramatically that prediction about its behavior is practically impossible. In developing countries, the complex variables existed in organizational environment are huge in numbers, therefore, an understanding of organizational environment and its various complexities is essential for the effective management of organizational activities.

In organizational research we presume that the major problem a researcher would face is from where to start the research enquiry? There are a range of dimensions from operational to strategic management and institutional planning which could be the points of entry into initiating the research inquiry. But if we thoroughly analyze the

contributions in the field of organizational theory, the starting point in most of the studies appears to be the analysis of organizational environment, which determines the nature and form of activities in the organization.

The environment of Pakistan is complex in nature. Environmental complexity is the number and heterogeneity of factors in the environment [1]. The relationship between environmental complexity and environmental risks is positive, as elaborated by Fariborz [2], who states that; “the more complex and changing the environment, the higher is the level of environmental risks and uncertainty (p. 696).” Keeping in view the notion of organizational environment and application of complexity theory this research specifically focuses on the business environment to identify the risks that adversely affect the performance of textile sector in Pakistan.

### Literature Review

**What Is Environment?:** There is no consensus amongst the contributors of organizational theory on the basic definition of environment. Over the past fifty years, researchers used different approaches to define this

concept. Some of the pioneering researchers in this field include Dill [3], Burns and Stalker [4], Emery and Trist [5], Thomson [6, 7] and Duncan [1]. Dill [3] introduces the notion of task environment and focuses on the external environmental factors. According to him, these factors have impact upon organizational goal settings. He states that "task is cognitive formulation, consisting of goals and usually also of constraints on behaviors appropriate for reaching the goals (P. 411)". The work of Burns and Stalker is basically the extension of contingency theory that is: the effective way to organize is contingent upon the conditions of the environment. According to Burns and Stalker [4] there are two types of organizational environment: mechanistic and organic. The mechanistic environment has specialization of parts with more stability and fewer changes in environmental dimensions, while organic environment has less specialization of its parts, less stability and more changes in environmental dimensions.

Emery and Trist [5] categorize organizational environment into four types: placid randomized environment, placid clustered environment, disturbed reactive environment and turbulent field. Their work adds considerable importance to understanding the structure of organizational environment. The research of Emery and Trist [5] was followed by the work of Thomson [6], [8], [9] on the subject of organizational domain, which identifies the area of potential dependency for the organization. According to him, potential dependencies include range of products, population served and services rendered etc. Thomson classifies organizational environment on the basis of two dimensions: heterogeneity/homogeneity and stability/dynamism. The first dimension describes the elements of the environment in terms of their similarity or difference from each other. The second dimension describes the status of change in these elements, that is, whether these elements are changing or not.

Based on the works of previous researchers, Duncan [1] also attempts to define the concept of organizational environment. He states that: Environment is thought of as the totality of physical and social factors that are taken directly into consideration in the decision making behavior of individual in the organization (p. 314). Duncan discusses the physical and social factors that define both internal and external environments, adding to the work of Rice [10], which focuses only on the internal environment of the organization. Osborn and Hunt [11] describe organizational environment with respect to relevance of factors. They consider all the relevant factors like other organizations, association of individuals and macro forces

as the environment. They also attempted to identify and define macro, aggregation and task environments in the light of work done by earlier scholars e.g. Clarke and McCabe [12] and Dill [3].

Other researchers who have discussed various aspects of organizational environment include Lindsay and Rue [13], Astley and Fomburn [14], Dess and Beard [15] and Boyne and Meier [16]. Lindsay and Rue [13] attempted to investigate the effects of organizational environment on long range planning. They are of the view that organization tends to adopt the long-range planning as the complexity and instability of the business environment increases. Astley and Fomburn [14] explain the relationship between environment and organizational autonomy. They hold the view that organization is not an autonomous actor of its strategic choice. There are many external factors that compel the organization to revise its strategic planning and implementation.

Dess and Beard [15] further refine Dill's notion of task environment and suggest its three components: munificence, dynamism and complexity. They explain munificence as the extent to which the environment can support long-term organizational growth. They further describe that, organization looks for an environment that allows for organizational growth and stability. Such growth and stability may assist the organization to generate extra resources that could be used for innovation, organizational coalitions and conflict resolutions. According to Dess and Beard, dynamism includes unpredictable changes in organizational environment. These unpredictable changes create uncertainties and complexities for the organization. They viewed these complexities to be characterized with heterogeneity and the range of organizational activities within the organizational environment. Dess and Beard also contend that highly complex environment generates greater uncertainty for the managers than lesser complex environment. While explaining the environmental complexity, Dess and Beard present it as a dimension of task environment but most of the other researchers like Child [17] and Duncan [1] consider complexity as a characteristic of organizational environment.

Walters [18] explains that new business models like Virtual Organization and Holonic Organization are emerging as a result of environmental turbulence. These are basically the inter-organizational networks, in which organizations with different capabilities join together to exploit emerging market opportunities. These structures are characterized as non-hierarchical, self-regulating and with dynamic equilibrium among parties.

Boyne and Meier [16] discuss the relationship between environmental turbulence and organizational stability and consider environmental turbulence to have a damaging effect on organizational stability, growth and performance. After reviewing the available literature on organizational environment, I presume that it is relatively difficult to present a coherent and comprehensive concept to understand the organizational environment because there is no single set of concepts or models on organizational environment that are widely accepted, as describe by Sharfman and Dean [19] in a discussion about environments: "Neither a single set of constructs nor a single set of measures of the organizational environment is widely accepted, making it difficult to build a comprehensive literature on the impact of the environment on the firm...because neither a single approach to conceptualizing the environment nor to measuring it has received widespread acceptance, we have been unable to build a comprehensive, coherent literature about the environment and its impact on the firm (p. 681)".

**What is Risk?:** There is no consensus amongst the researchers on the origin of the word 'risk'. Some researchers (e.g. [20] are of the view that this word is derived from Italian word *risicare* which means 'to dare'. Researchers like Ewald [21] hold the opinion that this word is derived from the French word *risqué*, which was used in France for the first time in 1578 and the word was used as both a noun and a verb.

Risk, in general, is considered as a difficult term to define at which no consensus exists among researchers [22]. Lack of consensus on the definition of risk could be due to various reasons [23] and owing to various types of risks: economic risks, political risks and health and safety risk etc. As far as the basic definition of risk is concerned, different disciplines in this regard offered their unique perspectives. In social sciences, risk is considered as a social construct not dependent on numerical values, but the social situation and conditional knowledge [24]. Engineering sciences define risk as a numerical value that is a function of probability and consequences [25]. Psychologists are of an opinion that risk does not exist outside the mind; it is simply a concept that humans developed to deal with uncertainties of life [26].

In organizational studies, researchers define this concept in several ways: Hines and Montgomery [27] consider risk as expected value of a loss; Fillmore and Atkins [28] consider it as possibility of an unwelcome

outcome; whereas, the Project Management Institute [29] explains risk as any factor that keeps the project away from obtaining its objective(s).

**Strategic Risk Analysis:** Strategic risks are those risks which can create problems for the organization to achieve its strategic objectives [30]. Strategic risks generate various strategic issues for the organization e.g. failure of projects, long-term decrease in profitability and high production cost etc. Strategic risk analysis is an in-depth study of risks and their strategic effects on the organization. In this type of analysis, the major task for managers is to compare the potential risks with organizational objectives by considering different strengths and weaknesses of the organization. This will generate new opportunities and threats for organization in the long-run [31]. Emblemstvag and Kjolstad [30] explain strategic risk analysis with regards to the following three steps:

- Identify the objectives of the business;
- Communicate risks to all the stakeholders and classify the risks by considering different strengths, weaknesses, opportunities and threats; and
- Calculate the possibilities and consequences of risks.

**Textile Sector of Pakistan:** Textile sector has been operative in Pakistan since 1947 with a few spinning and composite units. It comprised of yarn manufacturing, weaving and dyeing plants. Over the time, Government of Pakistan announced a number of incentives for the textile sector which motivated the private investors to install their individual spinning and weaving units. Most of these units were installed at the places which offered easy availability of raw material. Therefore, this sector developed in the form of industrial hubs at various localities. Most of the ginning factories are located around the cities of Multan, Bahawalpur, Rahim Yar Khan, Nawab Shah and Larkana, whereas, the majority of spinning mills is located around the cities of Faisalabad and Sheikhupura. Weaving and dyeing mills are mostly located at Lahore and Faisalabad, while Karachi and Lahore are the industrial hubs for made-ups and garments.

The textile sector has remained a major contributor in the GDP, employment and exports of Pakistan, but after the emerging energy crisis in recent years it is in deep trouble. Therefore, the industry is in need of governmental support to regain its competitive position

in the world market. Textile sector of Pakistan consists of the small, medium and large scale industries. In which approximately 80 Percent units are operating at small scale, 15 Percent at medium scale and merely 5 Percent units are operating at large scale [32]. Small and medium scale units mostly deal in weaving, ginning, hosiery, towel and finishing, while most of the large scale units are involved in spinning.

Textile is an export oriented industry of Pakistan. During the financial year 2010-11, most of its export items for example yarn, fabric, readymade garments, towel and bed linen have remained under international competitive pressure. Its share in total exports had declined from 66 Percent in FY 2004-05 to 52 Percent in the FY 2010-11 [33]. There are various national and international factors affecting the performance of the textile sector. Important factors in the domestic environment affecting the textile sector include: rapid increase in the cost of production, energy crisis, war against terrorism and high interest rates etc. While international factors include: global economic crisis, increase in global supply of textile products, antidumping duties on Pakistani textile products and trade barriers.

## **MATERIALS AND METHODS**

The major focus of this research is to analyze the external environment of textile sector of Pakistan, only key factors of the external environment that can affect the performance of textile sector were identified. Keeping in view the focus of this research, it was necessary to use the purposive sampling, in which, the purpose is not to establish a representative sample, but to identify the individuals having context-specific knowledge and expertise about the issue [34, 35]. In pursuing this objective, the data was collected through 47 semi-structured interviews over the period of nine months from four stakeholder groups: politicians, corporate managers, business owners and officials from different associations of the textile sector manufacturing units. Beside this, the relevant material produced on the subject by different government and non-government sources during the period of 2002-12 has been reviewed as well.

## **RESULTS AND DISCUSSION**

To identify the key environmental risks, 109 individuals were selected for semi-structured interviews. These included the top-level executives, corporate

owners, officials of various textile associations and politicians. Initially, the response rate was very low and after several reminders and administrative support from Higher Education Commission of Pakistan 47 persons gave their consents for interview.

After detailed discussions with the respondents, seven perceived risks have been identified by using the technique of content analysis which are the major reasons of negative performance of textile sector in Pakistan. These seven perceived risks are: high interest rate, energy shortage, terrorism, political instability, lack of governmental support, shortage of raw cotton and negative image portrayed by international media. In the following subsections these variables will be analyzed in detail.

**High Interest Rates:** Like most of the other developing countries, Pakistan also has a history of annual budget deficits. There are several factors like high inflation rate, massive debt financing and pressure of international financial institutions which affect the fiscal and monetary policies of its central bank.

In the year 1996, the interest rate on industrial and commercial loans was 20 percent per annum. Later on, there was a gradual decrease in the interest rates until it reached at about 7.5 percent per annum in the year 2002. This rapid decrease in the interest rates motivated the textile sector for technological up-gradation and expansion. The total investment in the textile sector of Pakistan during the financial year 1999-2000 was 210.90 million USD, while, the interest rate charged by different financial institutions was 15 percent per annum. Due to a continuous decrease in the interest rates in subsequent years, there was a rapid increase in investment on technological up-gradation of the textile sector, until it reached 928.6 million USD in the year 2004-05.

In the first quarter of the year 2004, the State Bank of Pakistan decided to adopt an aggressive approach by tightening its monetary policy. As a result of this policy, the interest rates started increasing from April 2004, mainly to control high inflation rates, to create a state of balance between demand and supply of money and to stop the abuses of loans by the private sector. The details of fluctuations in the interest rates are presented in the Table 1.

Most of the top-level executives and corporate owners of the textile units responded that they borrowed their loans from different financial institutions on long-term maturity basis. Due to a rapid increase in the

Table 1: Fluctuation in Interest Rates

□Year	Interest Rate (%)	Change (%)	Period	Interest Rate (%)	Change (%)
Nov-96	20.0		Nov-02	07.50	-1.50
Jun-97	19.0	-1.00	Apr-05	09.0	+1.50
Jul-97	18.50	-0.05	Jul-06	09.60	+0.60
Oct-97	18.0	-0.05	Aug-07	10.0	+0.04
Jul-98	16.50	-1.50	Feb-08	10.50	+0.05
Mar-99	14.50	-2.00	May-08	12.0	+1.50
Apr-99	14.0	- 0.50	Mar-09	15.0	+2.00
May-99	13.0	-1.00	Apr-09	14.0	-1.00
Jan-00	11.0	-2.00	June-09	13.0	-1.00
Sep-00	12.0	+1.00	Dec-09	12.5	-0.05
Oct-00	13.0	+1.00	Aug-10	13	+0.05
Jun-01	14.0	+1.00	Oct-10	13.5	+0.05
Jul-01	13.0	-1.00	Dec-10	14.0	+0.05
Aug-01	12.0	-1.00	Aug-11	13.5	-0.05
Oct-01	10.0	-2.00	Oct-11	12.5	-1.00
Jan-02	09.0	-1.00	Jan-12	12.0	-0.05

Source: State Bank of Pakistan [36]

interest rates during the past five years and change in monetary policy of the State Bank of Pakistan, these borrowings are now creating problems for them. The respondents also argued that owing to the current energy crisis in the country, a number of manufacturing units are not functional; therefore, it is impossible to meet their financial liabilities on time. Moreover, due to high interest rates, the cost of production has increased, which is resulting in a rapid decrease in the demand for the textile products of Pakistan in the international market. Keeping in view the current situation, there is a strong need to decrease the interest rates.

APTMA (an association of 500 textile units) holds the view that, the reduction in interest rates would only decrease the profit margin of different financial institutions and has no effect on government's revenues. Therefore, government should not hesitate to reduce the interest rates. Along with the other benefits, low interest rates would provide extra financial resources to the textile sector, hence, facilitating the process of risk management. Some officials of the APTMA, as well as top-level executives of the manufacturing units held the view that, the financial cost in Pakistan is relatively higher than the other Asian countries like India, China and Bangladesh (In Bangladesh the interest rate in 2009 was 9 percent, in India it was 10.25 percent with 5 percent tax exemption to textile sector and in China it was 5.58 percent in 2010 [37]. Therefore, the officials and executives in the textile sector demand for the reduction in interest rates, so as to regain the competitive position in the international market.

**Energy Shortage:** Energy sector of Pakistan comprises of the power generation sources of electricity, natural gas, petroleum and coal. As gas and electricity are the major sources of energy for the textile sector of Pakistan, therefore, this subsection focuses on these two sources of energy. Pakistan generates electricity with three different sources: hydroelectric (6,463 Megawatts, 33 percent), thermal (12,580 Megawatts, 65 percent) and nuclear (462 Megawatts, 2 percent). There are three major agencies which are generating electricity in Pakistan; these are the Water and Power Development Authority (WAPDA), Karachi Electric Supply Company (KESC) and Independent Power Producers (IPP). Their installed operational capacities are: WAPDA: 11328 MW; KESC: 1755MW and IPPs: 5970 MW [38]. Natural gas is an environment friendly fuel. There are ten companies which are engaged in gas extraction in Pakistan. These agencies are OGDCL, PPL, POL, OPI, LASMO, BHP, MGCL, BP (PAKISTAN), OMV and TULLOW. According to the statistics given by the oil and gas regulatory authority, the recoverable balance of natural gas reserves in Pakistan is estimated at 31.266 trillion cubic feet [39].

With an increase in consumption, Pakistan is facing an immense shortfall in the energy reserves, especially in the electricity and gas. There are many reasons behind this crisis, some of which include ineffective management of energy resources like dams, changing policies of the government, lack of accountability of the policy makers and inaccurate calculations and forecasts of the future requirements.

The current energy crisis started in the early 1990s. The government engaged nineteen Independent Power Producers to produce electricity in Pakistan. At the time of installation, their total capacity was 3158MW and total investment was 4.0 billion USD. Later on, due to the expansion in their production capacity, the total installed capacity was raised to 5970MW till March, 2003. Until the year 2005, the aggregate supply was more than the aggregate demand, but afterwards the ineffective planning and the need for additional sources of power generation resulted in an increasing gap between demand and supply [40]. In the year 06-07 the demand supply gap was 2500 Mega-watt/day which is 5500 Mega-watt/day in 2012 and expected to increase 7000 Mega-watt/day in the year 2015. As far as natural gas is concerned, there was a shortfall of 0.7 billion cubic feet (BCF)/day in the year 2008-09. It is 1.4BCF/day in the first quarter of 2012 and expected to increase up to 2.7BCF/day in 2015 and 5.9BCF/day in 2020 [41].

Most of the interviewees responded that this serious shortfall of energy (electricity and gas) has adversely affected the productivity of the textile sector in Pakistan. They said that most of the units are not in a position to afford the alternate means of energy like furnace oil, liquefied petroleum gas (LPG), or power generators; over and above it, some of the units have even closed down their operations. According to a report of the Federation of Pakistan Chamber of Commerce and Industry (2010) [42], 180 textile units in Faisalabad, 80 units in Lahore and 140 units in Multan, Gujranwala and Sheikhupura have been closed due to power shortage. These units included both small and large scale manufacturing. In this scenario, the textile sector of Pakistan demands for major initiatives from the government, without which it would become impossible for most of the small and medium scale manufacturing units to continue their operations.

**Terrorism:** The geo-strategic location of Pakistan is very important. It shares its border with India, Iran, Afghanistan and China. Pakistan is considered to be a major ally of the United States in its war against terrorism in Afghanistan after the September 11, 2001 attacks in New York. Therefore, Pakistan has also been a victim of terrorist attacks by the military insurgents from Afghanistan.

The deteriorating law and order situation in the country has also adversely affected the performance of business sector organization in Pakistan. So far, the economy of Pakistan has suffered a net loss of 68 billion USD and is continuously suffering a loss of 7 billion USD per year [33].

The interviewees of this survey responded that it is a common practice of the foreign buyers to check the quality of a product during its production processes. Before making an import decision, they also consider the environment in which the goods are manufactured. Due to the continuous threats of terrorist attacks in various cities of Pakistan, the foreign buyers are hesitant to visit and place their orders to the textile manufacturers in Pakistan. They prefer the exporters of India, China and Bangladesh to meet their textile demands. Not only this, terrorism also spoiled the image of Pakistani people, products and industry in the international markets.

**Political Instability:** In 63 years of its history, Pakistan has experienced a great deal of political instability like dismissals, assassinations of political leaders, military coups and government changes. This political instability has always restricted the policy-makers from developing long-term, consistent policies for economic development [43]. Most of the policy making executives in Pakistan could only enjoy a very short stay in their offices and had to leave before completing their job tenures.

Most of the respondents of this survey held the view that political instability in Pakistan has adversely affected the performance of the textile sector. This sector is considered as one of the major loss-bearers in the economy during the past ten years. They further responded that it is difficult to survive in an environment where there are a lot of destabilizing elements like long marches, strikes, military rule and ineligibility and murders of mainstream politicians. Hence, most of the respondents argued that there is a need to bring political stability in Pakistan for the betterment of the textile sector.

**Lack of Governmental Support:** An analysis of data in the earlier subsections shows that Pakistan remained politically instable since the day of its independence. During most of the earlier regimes, not much attention was provided to the economic development of Pakistan. Currently, the situation is getting worse due to the higher involvement of government in other issues like terrorism, Afghan crisis and law and order situation in the country.

In response to the question about governmental support to the textile sector, most of the respondents criticized its role due to its lack of interest in resolving the issues like high interest rates, power shortages, as well as subsidies and tax rebates etc. They argue that the textile sectors of other Asian nations are enjoying governmental support in a variety of ways. For example the Government of India provides 5 percent subsidy on interest rates if invested in textile sector; the Government of Bangladesh

Table 2: Local Production and Import of Cotton (000 Bales)

Year	Carry Over Stock	Local Production	Imports	Total
1991-92	1,188	12,822	25	14,035
1992-93	3,024	9,054	33	12,111
1993-94	1,692	8,041	627	10,360
1994-95	759	8,697	645	10,101
1995-96	1,005	10,595	200	11,800
1996-97	879	9,374	364	10,617
1997-98	1,225	9,184	301	10,710
1998-99	803	8,790	1,313	10,906
1999-00	1,565	11,240	421	13,226
2000-01	2,595	10,732	670	13,997
2001-02	1,934	10,612	1,080	13,626
2002-03	2,694	10,211	1,103	14,008
2003-04	1,760	10,048	2,312	14,120
2004-05	1,997	14,265	2,249	18,511
2005-06	4,120	13,019	1,728	18,867
2006-07	3,619	12,856	2,952	19,427
2007-08	3517	11,655	2852	18024
2008-09	4751	11,819	2134	18704
2009-10	2,693	12,693	2,010	17,396
2010-11	2,348	11,698	2,002	16,048

Source: Pakistan Central Cotton Committee [42]

provides 5 percent cash rebate if manufacturers use local yarn; and China has increased its rebate from 11 percent to 17 percent in February, 2009 to support the exports of the textile sector. These countries are the traditional competitors of the textile products of Pakistan in international market. In the presence of a number of problems faced by the textile sector of Pakistan, it seems very challenging for it to remain competitive in the world market.

**Shortage of Raw Cotton:** Pakistan is an agricultural country. Most of its labor force is associated with the agricultural sector. The major crops of Pakistan are cotton, wheat, rice, maize and sugarcane. However, the current performance of the agriculture sector is not satisfactory. The per-acre yield of the major crops including cotton is continuously decreasing for the past several years. In the year 2008-09 the production of cotton was 11.40 million bales, which was 10.3 percent lesser than the production of the FY 2006-07. There is also a prediction of a further decrease in the upcoming years [44]. On the other side, there is a huge capital investment in the textile sector since 1999, which is mainly for improving its technology and increasing its production capacity. Therefore, the gap between demand and supply of cotton has increased during this period. The present shortfall of raw cotton in the textile sector is 20 percent. In order to meet the deficiency of raw cotton, the textile sector of Pakistan is importing it from other countries like India and Brazil,

which turns-out to be quite expensive for the country as well as the investors. This could be the major reason of the decision taken by the members of APTMA in their extra-ordinary general meeting held on January 09, 2009 to close their manufacturing units for one day a week (One of the author participated in the extra-ordinary general meeting with the special permission of the secretary of the APTMA, Peshawar region). The production of local cotton and its import since 1991 is presented in Table 2.

In the world yarn market, the yarn manufactured in Pakistan has relatively high demand than that of India and China, because of its thickness, better texture and color. During this research some of the interviewees responded that if the textile manufacturers in Pakistan reduce their productivity by closing the manufacturing units for one day in a week and increase the prices for their best quality yarn, then there would be only a marginal effect on their total revenue, by this way they would be able to handle the problem of shortage of cotton in the country. However, the closure of the production units for one day in a week may not be a viable solution to handle this problem. There is a need to develop a long-term and comprehensive policy for increasing the production of cotton and yarn in the country.

Lastly, most of the respondents of this survey criticized the negative policies of the Trading Corporation of Pakistan (TCP). They held the view that instead of providing raw cotton to the local industry, TCP was

involved in export of raw cotton to the other countries under the government supervision. Therefore, there is a need to control these activities so as to make visible improvements in the performance of the textile sector.

**Negative Image Portrayed by International Media:** Some international agencies are actively involved in spreading anti-Pakistan propaganda through the international media. They convey the message to the foreign investors as well as the customers that Pakistan is not a safe country to invest and to travel. Besides, the international (especially Western) media also portrays the products of Pakistan as having inferior quality. Therefore, many private equity partners and buyers are reluctant to invest and place their orders in Pakistan. This negative image and misinformation is adversely affecting the growth of the textile sector of Pakistan and the buyers are searching new exporters in Bangladesh, India and China etc. Hence, there is a strong need that the government may make policies for the textile sector to cope with this negative propaganda.

## CONCLUSION

This paper identifies the major risks available in the external environment of textile sector in Pakistan. The results and findings of this research make significant contributions to the study of organizational environment as a major field of investigation for risk analysis. This study attempts to contribute in the available literature on the context of developing countries by emphasizing that the environment of the developing countries is different than developed world and demands for in-depth analysis to cope with the environmental risks. This study also focuses on the analysis of external environment and identification of risks for the development of business organization in Pakistan.

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