



## **Impact of Crisis Management Practices and Strategic Response on Pricing Strategy: Evidence From Textile Industry in Pakistan**

<sup>1</sup>Sana Affandi, <sup>2</sup>Hina Affandi

<sup>1</sup>Assistant Professor, Quaid-e-Azam University Islamabad, Pakistan: [sanaaffandi@gmail.com](mailto:sanaaffandi@gmail.com)

<sup>2</sup>Assistant Professor, Foundation University Islamabad, Pakistan: [hina.affandi@fui.edu.pk](mailto:hina.affandi@fui.edu.pk)

ARTICLE DETAILS	ABSTRACT
<p><b>History</b>  <i>Revised format: 30 Nov 2019</i>  <i>Available Online: 31 Dec 2019</i></p> <hr/> <p><b>Keywords</b>  <i>Crisis Management Practices, Efficiency Improvement and Competitiveness, Strategic Response, Pro-Activeness And Reactiveness, Price Strategy</i></p> <hr/> <p><b>JEL Classification:</b>  <i>Q02, H21, H29</i></p>	<p>This study has discovered the impact of crisis management practices and strategic responses on the price strategy in the textile industry of Pakistan. In this research, independent variable is crisis management practices (efficiency improvement and competitiveness improvement), mediating variable is strategic responses (pro-activeness and reactivity) and where the dependent variable is price strategy. This study investigated the textile industry firms of Pakistan by means of correlation and regression analysis via empirical findings. Data has been gathered from the questionnaire method from the companies of textile industry. It is hypothesized that crisis management practices, strategic responses have significant impact on the price strategy in which strategic responses have a mediating role and these noteworthy impacts have been denied by the results of the study.</p>
<p>© 2019 The authors, under a Creative Commons Attribution-Non Commercial 4.0</p>	

Corresponding author's email address: [sanaaffandi@gmail.com](mailto:sanaaffandi@gmail.com)

**Recommended citation:** Affandi, S. and Affandi, H., (2019). Impact of Crisis Management Practices and Strategic Response on Pricing Strategy: Evidence From Textile Industry in Pakistan. *Review of Economics and Development Studies*, 5 (4), 607- 614

**DOI:** 10.26710/reads.v5i4.894

### **1. Introduction**

The global textile industry more than past numerous years has become one of the most significant industry by contributing economic growth in the global economy. Textile manufacturing is a labor demanding industry involving cheap labor of developing and underdeveloped countries via use of different strategies and cultivate comparative advantage in labor costs. The global recession has not only affected the textile industry globally but also countries have faced economic downturns specifically. The global textile industry faces volatile times regardless of the stage of supply chain to which companies belong. Globally, textile industry has always the threat of unforeseen crisis that affect them deleteriously. Nominal sales of textiles are recorded at -4% in 2015 owing to multiple currency depreciations worldwide and other economic factors (Global Textile Report, 2016).

Textile industry is the mainstay of Pakistan's economy as it contributes 57% to the country's exports. This sector needs to upgrade its strategies and policies in order to meet the volatile economic downturns and to survive on global level (Ministry of Textile Industry, Pakistan). Textile industry in Pakistan has been seen uncompetitive in international textile market due to the high cost of doing this business. Pakistan faces a high risk in businesses due to unstable security situation, double digit inflation, and increased cost of financing distant from instant rise in energy costs that have led to different types of

crisis. Consumer oriented businesses e.g. textiles have a sizeable market potential (Business Monitor International, BMI) and Pakistan is a lucrative economy for investors in this regard.

The word “Crisis” is defined by two characteristics in Chinese terminology that are seen as “danger” and the “opportunity” together. All types of adverse events are incorporated in this elaborative concept. In the context, the phrase crisis relates to all circumstances that are redundant, unforeseen, unique, and almost uncontrollable, basis extensive scepticism and uncertainty (Boin, Kofman&Overdijk, 2004). Efficiency improvement leads to achievement of economies of scale via technical efficiency and cost efficiency (Berger, Leusner, and Mingo, 1997). Efficiency is the measure of the ability of firm to assign resources professionally among production units and on the basis of experiential prices to provide the right assortment of input and output (Deville, Ferrier &Leleu, 2013). This indicator is the first determinant for the crisis management practices. Competitiveness is related to economic success which leads to market growth, high employment and better living standards for the employees working in an organization and also it is related to the efficient and effective utilization of a company’s limited resources (Csath, 2007). However, this research will address the competitiveness improvement in terms of efficient and effective utilization of a company’s limited resources as the second indicator for determining crisis management practices.

Businesses produce special types of reaction to handle with crisis. The most victorious strategies to conquer crisis is to make use of practical response and reactive response (Alonso-Almeida & Bremser, 2013). Proactive response is a reaction to problem in advance that becomes crisis at later stages which involves anticipation of problems and changes the way things are done. Proactive strategy is a tactic to provide solution to business competition and workplace changes on the basis of anticipation. Reactive response is shown in response to a problem or situation that becomes crisis for firms. Reactive strategy provides a slow response to changes in firms environment i.e. problems that are addressed after they take the form of crisis.

Price strategy refers to the strategy for pricing the products and services in the market on the basis of estimation of the cost of resources and other factors. Price and worth are flattering progressively more fundamental to the selections that consumer make about the place to shop and what to buy (Textile and Clothing, 2015). Pricing strategy helps the companies to achieve profit maximization and also aids to achieve sustainability by use of different pricing strategies in case of adverse circumstances (Nagle and Holden, 1995).

Numerous studies have scrutinized the possessions of catastrophe in different industries especially in hospitality industry (Aziz, 1995; Leslie, 1996) and groundings for formulating strategies for future and past crisis situations or proceedings (Lynch, 2004). As Pakistan’s textile industry is lacking in research and development so the rationale of this research is to examine the relationship between Crisis Management Practices and strategic responses in the course of analyzing the price strategy in tough times for the textile industry in Pakistan. This research work will describe the impact of crisis management practices in terms of two dimensions i.e. efficiency improvement and competitiveness improvement on the strategic responses by use of two core responses i.e. reactive response and proactive response via use of one strategy i.e. price strategy. Little research has been done in Pakistan on the crisis management practices and strategic replies during price strategy especially considering the textile industry of Pakistan. This research will provide insight in the practical strategic responses through which the textile industry has reacted during hard times for the crisis management.

## **2. Literature Review**

Crisis has been defined in Chinese context as an amalgam of danger and opportunity. It has generally been used for incorporating all the unnecessary events that occur. So, in this regard, all types of situations which are not needed, not expected, unprecedented and are difficult to manage or even are unmanageable, creating chaos disbelief and uncertainty (Boin, Kofman&Overdijk, 2004). Crisis has also been seen as a

good or bad turning point with inclusion of moments related to life and death, a decline in the way of expansions occurred which are considered as hazardous (Dinçer, 2009). Crisis has also been considered as a situation which cannot be predicted beforehand by any organization and are considered unexpected (Koçel, 1998). Routine crisis situations have a unique feature of response in case of emergency and action which is quick and these are considered vital. Crisis situation detection is seen as detection, prevention or providing responses to the changes respectively as these changes arise in the insufficient occasions. Three features of crisis has been identified by literature i.e. crisis should be an abrupt sudden surprise that is comprised of event that is unexpected. Second feature is that crisis eliminate the appearance of any business, person or a destination linked to it. The last promising feature is that availability of time should be limited for remedy that creates pressure (Kalpaklıoğlu, 2010).

Crisis word is worn in all the capacities of political affairs, culture and the financial system of the country (Glaeser, 2005), which provide huge special consequence on the mainstream of any inhabitants. Economic costs that are high which encompasses precautions that are classical and has created unique, inclusive and multidimensional problems related to snowball effects, which ultimately have impact on key resources and limits the area that is operational for manager to tackle (Boin & Lagadec, 2000). The art of taking decisions by observing evidences of an event that is referred as crisis to alleviate or somehow eliminating effects even when the event is non-predicting are referred as crisis management. This generally means that decisions are made for organizations regarding their future in the scenarios of stress and when there is deprivation of key information (Seçilmiş & Sarı, 2010). Before the occurrence of crisis, there can be felt some clues. Management is considered successful if the symptoms are identified and remedied before the occurrence of crisis. Thus, to remedy the crisis situation, crisis management technique should be applied for prevention and mitigation of the crisis effects on its start. A high level of uncertainty can be observed which is required by businesses to ponder on the decisions related to survival. Thus, focusing on choosing and implementing an appropriate strategy by businesses is considered as an integral part of thinking related to strategic management (Karakaya, 2004).

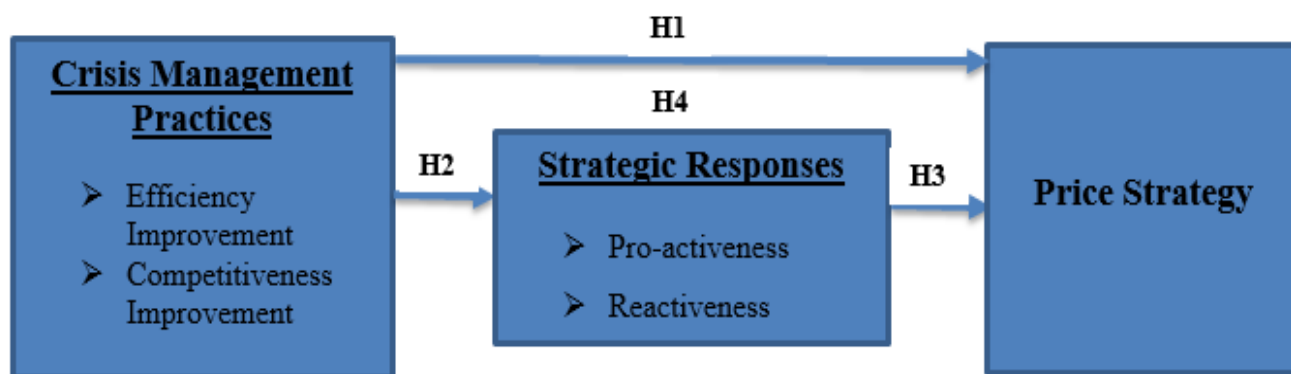
Three parts can be considered for crisis management which includes the appraisal of multiple risks faced by a particular business. Social, technical, political and monetary divisions are referred as key outside reasons. They are considered normal as to their occurrence within parameters which are typical and expected. Terrorism, conflict at international level, foreign and domestic political volatility, and instability associated with economic and trade affairs are high-lightened by some authors as crucial sources of high order or corporate crisis that is considered abnormal (Cushnahan, 2004). The management and synchronization of responses of the institution to an event that intimidates harm or has already harmed the people, structures, capability to operate, proceed and standing is regarded as crisis management. Planning and incident responses arise automatically and also dealing with situation via dynamism in contingencies which also comes in unpredictable way as well. Prediction of any crisis is on verge of top management. Direct and indirect indications to the organization are sent by crisis before they occur. Occasionally due to ignorance on the part of management as lack of analysis of the signals get them into crisis. This study undertakes management performance in times of catastrophe as equipped efficiency and competitiveness development as Alonso-Almeida & Bremser (2013).

To cope with crisis, businesses generate different responses as shown by several studies. The most effective and victorious strategies to conquer crisis is by practical measures that can include increased spending on marketing and developing innovative product (Alonso-Almeida & Bremser, 2013). Some others consent for the tourism concern that it should implement financial prudence strategies by continuing accessible staff stage and as a replacement for relying on grow in time of work or competence to increase liveness (Okumus & Karamustafa, 2005). Reaction has been taken as a first section that groups the procedures taken by the restaurant, due to a beg off in income. Customer value added has been taken to analyze management's obligation to improve the superiority and services as part of a strategy to antedate intimidation and to be prepared to contradict them when they happen. Flexibility is taken as the

third section that closely relates to the management of a restaurant's operations. Liveness comprises measures to decrease fixed costs and to gain flexibility. Proactiveness is taken as the fourth section that comprises activities that make stronger a firm's competitive position. To the extent it is known that loyal customers have more buying activity, loyal customers tend to spend greater share of their income at the supplier, loyal customers are seen to be less price-sensitive than other customers and loyal customers spread positive word-of-mouth and in that way amplify the customers for products and the services (Williams & Naumann, 2011). In addition, it has been seen that extraordinary levels of customer loyalty and satisfaction level in lower price compassion group (Alonso-Almeida & Bremser, 2013).

This study ensues management practices in eras of a crisis as operational efficiency and competitiveness enhancement acquire as features pretentious by the impact of a crisis (Alonso-Almeida & Bremser, 2013). Two different measures have been employed as strategic reaction (Alonso-Almeida & Bremser, 2013). Decline in income, pro activeness that comprises actions that toughen a firm's viable point are seen as key components. As the price of the product is key to buyers as it influence their choices to buy and firms should focus on their price strategy or attaining profits during hard times so in light of this argument, the hypothesis discussed in next section are formed and conceptual framework has been shown.

### 3. Research model and Hypothesis



**Figure 1: Research Model**

Hypothesis 1: Crisis management practices have impact on price strategy.

Hypothesis 2: Crisis management practices have impact on strategic responses.

Hypothesis 3: Strategic responses have impact on price strategy.

Hypothesis 4: Strategic responses mediate the relationship between crisis management practices and the price strategy.

## 4. Methodology

### 4.1 Data and Measures

The objective of this study is to understand the impact of crisis management practices with the mediating role of strategic responses through the price strategy in textile industry context. Questionnaire has been taken from King & Spalding's global Crisis Management Practice, Schneider, & Meyer (1991), Alonso-Almeida & Bremser, (2013) and Williams & Naumann, (2011). The study focusses on the textile industry of Pakistan so a questionnaire has been distributed among several companies of this industry. So the total sample size of this study was 200. Out of which, 175 questionnaires were returned for analysis and further 5 questionnaires were discarded due to missing responses. Hence the response rate was 85% for this study. The managerial staff and administrators were the informants as their job related responsibilities were comprised of strategic management, marketing, sales and announcement tasks of the organization. The questionnaire has the measures of crisis management practices, strategic responses and the price strategy which have been measured from 7 points Likert scale.

## 4.2 Analysis and Results

The following table illustrates the descriptive statistics of demographic variables. The table shows that the respondents' age lies between 21 years to 59 years representing the mean age of 30 years approximately and the standard deviation. The statistics for gender and field of education are depicted in the following table.

**Table 1: Descriptive Statistics of Demographic Variables**

Demographic Variables	N	Minimum	Maximum	Mean	Standard Deviation
Age	170	21	59	29.71	6.41
Gender	170	0.00	1.00	0.29	0.45
Field of Education	170	1.00	3.00	1.55	0.596

The following table illustrates the descriptive statistics and correlation of the independent variable i.e. crisis management practices, mediator variable i.e. strategic responses and the dependent variable i.e. price strategy. Only the correlation between strategic responses and price strategy has been found significant at 0.01 level. Other values of correlation have been shown in the following table.

**Table 2: Descriptive Statistics and Correlation**

Variables	N	Mean	Standard Deviation	CMP	SR	PS
Crisis Management Practices (CMP)	170	4.49	0.89	1.00		
Strategic Responses (SR)	170	3.99	0.66	0.07	1.00	
Price Strategy (PS)	170	4.13	1.32	0.03	0.28*	1.00

\*\* Correlation is significant at the 0.01 level (2-tailed)

## 4.3 Mediated Regression Analysis

The following table illustrates the mediated regression analysis values. Only the strategic responses has been seen to have significant effect on price strategy at P value=0.000 (significance level 0.01). The other paths are found insignificant.

**Table 3: Regression for Mediation Analysis**

Predictor Variable	B	Strategic Responses			Price Strategy			Sig
		R2	$\Delta R2$	Sig	B	R2	$\Delta R2$	
Crisis Management Practices					0.039	0.002	0.002	0.614
Crisis Management Practices	0.076	0.006	0.006	0.325				
Strategic Responses					0.287	0.083	0.083	0.000
Mediation								
Crisis Management Practices					0.017	0.083	0.083	0.816

## 5. Discussion

This objective of this study is to dig out the relationship among crisis management practices and price strategy through the mediating role of strategic responses in a textile industry context. Management practices are seen on the dimensions of efficiency improvement and competitiveness improvement which are not related to the strategic responses which are considered from the perspectives of pro-activeness and reactivity. However, strategic responses are seen to have significant association with the price strategy in the textile sector of Pakistan. But there is found no mediation in the results when the study has been conducted in Pakistan. Except for the hypothesis 3, strategic responses have impact on price strategy, all the aforementioned hypothesis are rejected. This is due to the fact that the crisis management practices undertaken by the study efficiency improvement and the competitiveness improvement has not been given due importance in Pakistan. However, if other dimensions of these variables are taken into account then these would have significant impact on the strategic responses and responses ultimately on the price strategy. However, the study has found that strategic responses have impact on price strategy which shows that by undertaking pro-active and reactive strategic responses, the price strategy can be influenced at large.

## 6. Conclusion

The result of this study suggests that there is no mediation found in the proposed conceptual model. However, only the relationship between the strategic responses and price strategy has been found significant. The results of this research have contribution to the vast knowledge of crisis management practices in literature associated to strategic management. The current study has definite limitations of simply studying certain variables with price strategy. This research study can further undertaken with incorporation of managers personality role and other external and internal factors for more extensive results. Other implications are for the policy makers to opt out multiple standard and flexible operating procedures for the crisis management.

## References

- Akat İ, Budak G, Budak G, İşletme Yönetimi, Beta Yayınları, İstanbul, 1994
- Almeida b M, Bremser K, “Strategic responses of the Spanish hospitality sector to the financial crisis”, *International Journal of Hospitality Management* 32 (2013) 141–148
- Avcı M A, Altay N O., (2013) “Finansal Krizlerin Belirleyenleri ve Öngörülebilirliği: Türkiye Üzerine Bir Uygulama” *Ege Akademik Bakış*, Cilt: 13-Sayı 1: pp 113-124
- Berger, A., J. Leusner, and J. Mingo (1997). The Efficiency of Bank Branches. *Journal of Monetary Economics* 40:1, 141-162.
- Boin Arjen, Kofman-Bos Celesta and Overdijk Werner (2004): “Crisis Simulations: Exploring Tomorrow’s Vulnerabilities and Threats” *Overdijk Source: Simulation & Gaming*, 35(3) pp: 378–392.
- Boin, A. ve Lagadec, P (2000)., Preparing for the Future: Critical Challenges in Crisis Management, *Journal of Contingencies and Crisis Management*, Volume 8, Number 4, pp. 185-191
- Bricongne, J. C., Lapegue V. ve Monsa O (2009). “Subprimes: From the Financial Crisis to the Economic Crisis”, *National Institute of Statistics and Economic Studies*, 23–41.
- Business Monitor International, BMI
- Campos N F. , Hsiao C., and Nugent J.B. (2010) “Crises, What Crises? New Evidence on the Relative Roles of Political and Economic Crises in Begetting Reforms” *Journal of Development Studies*, Vol. 46, No. 10, 1670–1691, Canada Food & Drink Report Q1 2009 Part of BMI’s Industry Report & Forecasts Series Published by: Business Monitor International Publication Date: February 2009 CIAA Competitiveness Report-2010, pp 18
- Cohen, Andy Campbell, 1999 “Crisis Management at Coke”. *Tricia Kaynak: Sales & Marketing*

- Management; Sep99, Vol. 151 Issue 9, p14, 2/3p, 1 Color Photograph
- Cohen, Andy Campbell, 1999 “Crisis Management at Coke”. TriciaKaynak:Sales& Marketing Management; Sep99, Vol. 151 Issue 9, p14, 2/3p, 1 Color Photograph
- Csath, M. (2007). The Competitiveness of Economies: Different Views and Arguments. Society and Economy 29 (2007) 1, pp. 87-102.
- Cushnahan G (2004), “Crisis Management in Small-Scale Tourism”, Journal of Travel And Tourism Marketing, 15:4, DOI: 10.1300/ J073v15n04\_06 :pp 323-338
- Deville,A., Ferrier, G.,D., &Leleu, H. (2013). Measuring the performance of hierarchical organizations: An application to bank efficiency at the regional and branch levels. Management Accounting Research Volume 25, Issue 1, Pg 30–44
- Dinçer, Ömer( 2009)., StratejikYönetimveİşletmepolitikası, Timaş A.Ş., pp. 49.
- Eren, E., StratejikYönetimveİşletmePolitikası, Beta BasımYayımDağıtım, İstanbul, 2002.
- Eren, E., YönetimveOrganizasyon, Beta BasımYayım, 6.Basım, İstanbul, 2009.
- Global Textile and Clothing Survey, 2015
- Kalpaklıoğlu, N.(2010) “KrizlerdeEnHassasSektör: TurizmdeEtkinKrizYönetimi”, AkademikAraştırmalarDergisi, Sayı 44, pp.139- 155
- Karakaya A, (2004), StratejikYönetimSistemininKrizYönetimineKatkısıÜzerineBirAraştırmaTeknoloji, Cilt 7, Sayı 2, 225-233
- Koçel, T., İşletmeYöneticiliği, Beta BasımYayım, İstanbul, 1998.p 1-4
- Lee, SeokiKoh, Yoon Kang, Kyung Ho, 2011 “Moderating effect of capital intensity on the relationship between leverage and financial distress in the U.S. restaurant industry”.International Journal of Hospitality Management; Jun2011, Vol. 30 Issue 2, p429-438, 10pManagement 32 (2013) 141–148
- Martínez C and Rama R, (2012); “Home Or Next Door? Patenting By European Food And Beverage Multinationals”, Technology Analysis & Strategic Management Vol. 24, No. 7, pp: 647–661
- Materials and Food San Antonio”, Texas USA April 23rd pp 1-19
- Ministry of Textile Industry, Pakistan
- Nagle, Thomas, Reed k. Holden (1995). The strategy and practice of pricing, 2nd Ed, Prentice Hall, Englewood cliffs, N.
- Nambissan G. B.(2010), “The global economic crisis, poverty and education: a perspective from India” Journal of Education Policy Vol. 25, No. 6, 729–737
- Özdemir, L., (2008), “2008 KüreselEkonomikKrizininİşletmelerÜzerindekiEtkileri”, DoğuşÜniversitesiDergisi, 14 (2) :pp, 249-265
- Öztürk, S., Gövdere B. 2010 “KüreselFinansalKrizvETürkiyeEkonomisineEtkileri”, SüleymanDemirelÜniversitesiİktisadiveİdariBilimlerFakültesiDergisi Y., C.15, S.1 pp.377-397.
- Pearson, C.M., Clair, J.A.(1998), “Reframing Crisis Management”, The Academy of Management Review, Vol:13, Number:1, pp: 1-23
- Pizam, A.;Mansfeld, Y. (1996). Tourism, crime and international security issues. 1996 pp. viii + 321 pp.
- Raymond F, Thomas M, A, Johanson, Misty M. (2012), “Food and beverage levels during the 2008-2010 economic downturn in clubs”.
- Republic Of Turkey Prime Ministry Investment Support And Promotion Agency of Turkey Turkish Food & Beverage Industry Report, Deloitte, 2010
- Seçilmiş C, Sarı Y.( 2010), “KrizDönemlerindeKonaklamaİşletmelerininKrizYönetimiUygulamalarıÜzerineBirAraştırma”, SüleymanDemirel

- Seo, S. Jang , 2013 “The roles of brand equity and branding strategy: A study of restaurant food crises”, *International Journal of Hospitality Management.*, September, 34(1):192-201)
- Shanahan Christopher (2009) “Economic Outlook for the Global Food and Beverage Market Food Industry Research Analyst Global Chemicals,
- Temiz D, Gökmen A.(2010) “The Comparative Effects Of 2000-2001 Financial Crises And 2008 Global Crisis On The Turkish Economy”, *International Journal of Economic and Administrative Studies*, Year:2 Volume:2 Number:4, ISSN 1307-9832, pp1-24
- Tüz, M ,Haşit, G, İpçioğlu,İ., Suher, İ (2013)., *KrizİletişimiVeYönetimi*, AnadoluÜniversitesiYayını No: 2818 AçıköğretimFakültesiYayını No: 1776,pp:5-11
- Üniversitesi, İktisadiveİdariBilimlerFakültesiDergisi Y.2010, C.15, S.1 s.501-520.
- Uzay, N (2012), “FinansalKrizin Reel SektörÜzerindekiEtkileriVeKrizSonrasıTemelGöstergelerdekiDeğişim: Kayseri Örneği”, *SüleymanDemirelÜniversitesiİktisadiveİdariBilimlerFakültesiDergisi*, C.17, S.2, pp.121-143.
- Zhanga Y, Mab E and Qucnatolia H (2012) ,“An explorative analysis of Shanghai residents’ outbound travel preferences during global financial crisis”, *An International Journal of Tourism and Hospitality Research*, Vol. 23, No. 3, , 315–327.