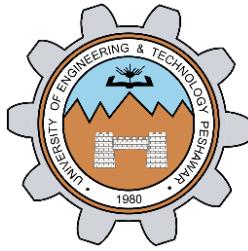


## **Assignment 5**



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**CSE-406 Engineering Project Management**

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“On my honor, as student of University of Engineering and Technology, I have neither given nor received unauthorized assistance on this academic work.”

Submitted to:

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Date:

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## Case Study: “Reclaim Textiles (Pvt) Ltd: Stitching a Future with Strategy”

### Background:

**Reclaim Textiles (Pvt) Ltd** is a mid-sized textile manufacturing company based in **Faisalabad, Pakistan**, historically focused on producing affordable fabrics for domestic clothing brands. Over the last decade, the company thrived due to low labor costs, domestic demand, and government export subsidies. However, from 2022 onwards, the company faced increasing challenges: energy shortages, currency devaluation, and declining international orders due to non-compliance with global sustainability standards.

In late 2023, Reclaim’s board appointed a new CEO with a mandate to **revive the company using a strategic management approach**, aligned with global competitiveness. The CEO introduced a **six-step strategic management process** and tasked department heads with conducting both **external and internal analyses**, identifying opportunities and threats, and rethinking the corporate strategy.

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### Step-by-Step Strategic Management Process at Reclaim Textiles:

#### Step 1: Identify Mission, Goals, and Existing Strategy

Reclaim's mission was outdated, focusing only on low-cost production. The new CEO introduced a modern mission:

*"To become South Asia's most responsible textile brand by combining sustainability, innovation, and affordability."*

New goals were set:

- Enter at least two international sustainable textile markets by 2026.
- Reduce production waste by 40% within 2 years.
- Digitize 50% of operations by 2025.

The company had no clear corporate or competitive strategy earlier, relying solely on low-price contracts.

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#### Step 2: External Analysis

Key Opportunities identified:

- Increasing global demand for sustainable textiles.
- GSP+ trade incentives for Pakistan in the EU.
- Government solar subsidies for energy-deficient industries.

### **Key Threats:**

- Frequent power outages.
  - High inflation and raw material costs.
  - Rising competition from Bangladesh and Vietnam with better environmental credentials.
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### **Step 3: Internal Analysis**

#### **Strengths:**

- Strong stitching and tailoring workforce.
- Established relationships with local fashion brands.
- In-house design team with trend forecasting capabilities.

#### **Weaknesses:**

- Outdated dyeing equipment.
- No certifications like OEKO-TEX or GOTS.
- No experience in B2B exports or digital transformation.

This SWOT analysis led Reclaim to recognize that continuing as a low-cost player would not ensure long-term competitiveness.

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### **Step 4: Strategy Formulation**

#### **Corporate Strategy:**

The company adopted a **growth strategy** through **horizontal integration**, acquiring a small Lahore-based organic cotton farm to secure sustainable raw materials.

#### **Competitive Strategy:**

Reclaim shifted from **cost leadership** to **differentiation**, focusing on organic, eco-certified fabrics and customer customization.

#### **Functional Strategy:**

- The R&D department began exploring waterless dyeing technologies.
- The marketing team was tasked with creating a new brand identity focused on “ethical fashion.”
- HR launched upskilling programs for employees on new tech systems.

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### **Step 5: Strategy Implementation**

Reclaim installed ERP systems for inventory and supply chain, partnered with GIZ for compliance training, and launched its first eco-product line "RENEW."

Change was resisted at first, especially among factory workers untrained in digital tools, but strong internal communication helped transition.

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### **Step 6: Strategy Evaluation**

After 12 months:

- Export orders increased by 18%, especially in Germany and the Netherlands.
- Waste output dropped by 27%.
- Reclaim received OEKO-TEX certification and began applying for GOTS.

However, not all went smoothly. Costs rose due to the shift in raw materials, and profitability dipped temporarily. The board asked the CEO to refine the balance between innovation and cost control.

### **Assignment Questions Based on This Case Study**

**1. Identify and explain the six steps of the strategic management process used by Reclaim Textiles. Provide examples from the case to show how each step contributed to strategic renewal.**

**Ans:**

Reclaim Textiles employed a structured six-step strategic management process to drive its renewal. The process began with **Step 1: Identifying Mission, Goals, and Existing Strategy**, where the new CEO replaced the outdated low-cost mission with a forward-looking vision: "To become South Asia's most responsible textile brand." Concrete goals were set, such as entering international sustainable markets and reducing waste, exposing the absence of a coherent prior strategy. In **Step 2: External Analysis**, Reclaim scanned its environment, identifying critical opportunities like EU trade incentives and global demand for sustainable textiles, alongside threats such as power outages and competition from Bangladesh/Vietnam. This forced the company to look beyond its domestic focus. **Step 3: Internal Analysis** revealed strengths like its skilled workforce and design team but critical weaknesses like outdated equipment and lack of certifications, proving the old low-cost model unsustainable. Using these insights, **Step 4:**

**Strategy Formulation** defined a multi-tiered approach: a growth-oriented corporate strategy (acquiring an organic cotton farm), a differentiation-focused competitive strategy (eco-certified fabrics), and aligned functional strategies like R&D's waterless dyeing projects. **Step 5: Strategy Implementation** turned plans into action through ERP systems, partnerships with GIZ, and the launch of the "RENEW" product line, overcoming initial resistance through communication. Finally, **Step 6: Strategy Evaluation** tracked progress (e.g., 18% export growth, waste reduction) and identified challenges like rising costs, enabling data-driven refinements. Collectively, these steps transformed Reclaim from a stagnant low-cost player into a sustainability-focused competitor.

## 2. Conduct a SWOT analysis for Reclaim Textiles. Based on your analysis, do you think their shift to a differentiation strategy was justified? Why or why not?

**Ans:**

A SWOT analysis for Reclaim Textiles highlights key internal and external factors:

- **Strengths:** Skilled workforce, strong local brand relationships, and in-house design capabilities.
- **Weaknesses:** Outdated dyeing equipment, lack of sustainability certifications (e.g., OEKO-TEX), and no B2B export experience.
- **Opportunities:** Growing global demand for sustainable textiles, EU trade incentives (GSP+), and government solar subsidies.
- **Threats:** Power outages, inflation-driven material costs, and competition from Bangladesh/Vietnam with superior sustainability credentials.

The shift to a differentiation strategy was strongly justified. Reclaim's weaknesses (outdated tech, no certifications) made its historical cost-leadership approach untenable against rivals like Bangladesh. Simultaneously, opportunities like GSP+ incentives *required* sustainability compliance to access lucrative EU markets. Differentiation leveraged Reclaim's strengths—its design team and skilled labor—to create unique value through organic fabrics and customization, directly aligning with its mission. It also mitigated threats by reducing direct competition with low-cost producers and addressing energy risks through solar investments. Though the strategy initially increased costs, it positioned Reclaim for long-term resilience in a shifting global market.

**3. Compare Reclaim's new competitive strategy with that of another international textile firm (e.g., Zara, H&M, or a Bangladeshi competitor). What lessons can Reclaim learn in terms of sustaining competitive advantage?**

**Ans:**

Reclaim's differentiation strategy focuses on *authentic* sustainability (organic materials, certifications, vertical integration via its cotton farm) and B2B customization. In contrast, **H&M employs cost leadership paired with fast fashion**, using scale to offer low prices while marketing secondary "sustainable" lines like its Conscious Collection—a model criticized for greenwashing due to its high-volume, resource-intensive operations.

Key lessons for Reclaim include:

- **Prioritize Authenticity:** H&M's credibility gaps demonstrate that sustainability claims must be deeply embedded in operations. Reclaim must ensure transparency (e.g., traceable supply chains) and maintain rigorous certifications to build trust.
- **Balance Cost and Differentiation:** While differentiation justifies premium pricing, Reclaim cannot ignore efficiency. Learning from H&M's scale-driven cost control, Reclaim should invest in renewable energy (e.g., solar subsidies) to offset material costs and optimize processes like waterless dyeing.
- **Control Critical Inputs:** H&M's complex supply chain creates vulnerabilities. Reclaim's acquisition of an organic farm is a strategic move toward vertical integration; expanding such control over sustainable inputs secures quality and mitigates price volatility.
- **Avoid Volume Traps:** Reclaim should target niche B2B partnerships over mass-market B2C to preserve its ethical brand integrity, avoiding H&M's fast-fashion pitfalls.

Ultimately, Reclaim's advantage hinges on continuous innovation (e.g., scaling R&D breakthroughs) and consistent proof of its ethical commitments to avoid commoditization.

**4. Examine how functional strategies (in HR, marketing, and R&D) helped Reclaim support its new corporate and competitive strategies. Suggest two more functions where alignment could improve results.**

**Ans:**

Functional strategies were instrumental in executing Reclaim's new corporate growth strategy and competitive differentiation. HR launched upskilling programs to train workers in digital tools and sustainable practices, directly enabling workforce readiness for technological adoption and eco-certification requirements—key to differentiation. Marketing crafted an "ethical fashion" brand identity, repositioning Reclaim in international markets and aligning with its mission to leverage sustainability as a unique selling point. R&D focused on innovations

like waterless dyeing, which reduced waste (supporting corporate waste-reduction goals) and created proprietary eco-technologies to justify premium pricing.

Two additional functions requiring alignment are Procurement and Finance.

- Procurement should develop a sustainable sourcing strategy beyond organic cotton (e.g., recycled fibers, certified dyes) to secure cost-effective, ethical raw materials. This would mitigate rising costs highlighted in the case while ensuring supply chain transparency—critical for differentiation.
- Finance must create models to quantify sustainability investments (e.g., ROI on solar subsidies, waste-reduction savings). Better capital allocation would balance innovation with cost control, addressing the board's concern over temporary profitability dips.

## 5. Using the BCG Matrix from the case, recommend how Reclaim should allocate its resources across different product lines. Justify your answer using business growth theory.

**Ans:**

Reclaim should allocate resources using the BCG Matrix as follows:

- **Stars ("RENEW" Eco-Line):** *Heavy investment.* This high-growth, high-potential-share product aligns with surging global demand for sustainable textiles. Resources should expand production, accelerate GOTS certification, and scale waterless dyeing  
*R&D. Justification:* Growth theory prioritizes investing in emerging markets (Product Life Cycle's *growth stage*); here, capturing market share early builds defensible advantage.
- **Cash Cows (Legacy Domestic Fabrics):** *Maintain/minimal investment.* These mature, high-share products generate steady cash flow but lack growth. Profits should fund Stars. *Justification:* Business growth theory (BCG Matrix logic) uses cash cows' revenue to fuel future stars without new debt.
- **Question Marks (Customization Services):** *Selective investment.* This high-growth, low-share segment tests scalability. Pilot with key B2B clients. *Justification:* Ansoff Matrix deems this *product development*; controlled investment mitigates risk while probing new revenue streams.
- **Dogs (Non-Certified Products):** *Divest.* These low-growth, low-share lines drain resources. *Justification:* Resource-Based View theory dictates reallocating assets (factory space, capital) to capabilities supporting sustainability—Reclaim's future competitive edge.

**Theoretical Synthesis:** Prioritizing Stars leverages *growth-share matrix* principles, while divesting Dogs follows *portfolio optimization* theory. This ensures short-term cash flow (Cash Cows) funds long-term repositioning (Stars/Question Marks), aligning with Reclaim's mission-driven renewal.