PRODUCTIVITY IMPROVEMENT: IT'S STILL NOT TOO LATE

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Introduction: The apparel industry globally has been going through testing times. In spite of extensive discussions on what needs to be done, the industry needs real examples to gain the confidence that all that is talked and written about is being implemented in real life situations. There is also a need for reassurance and demonstration that the benefits talked about are actually achieved.

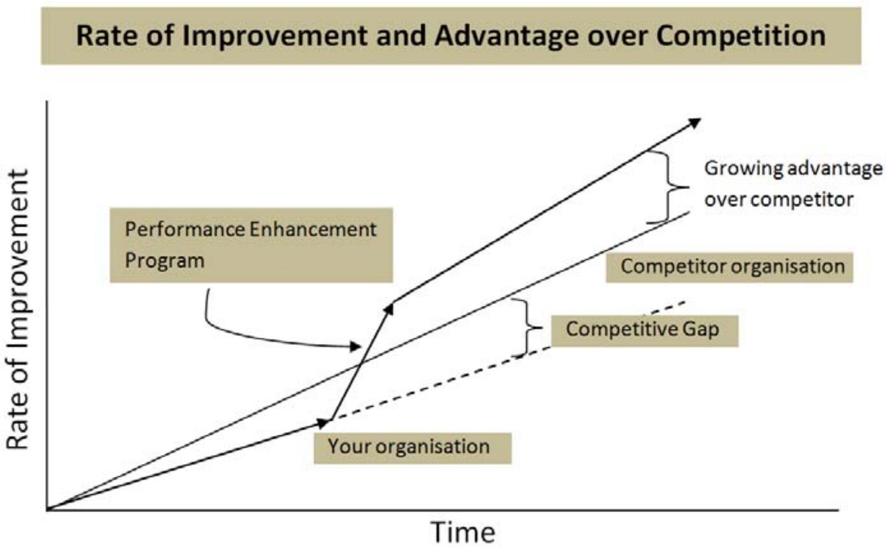
It is absolutely true in the Indian context that almost every apparel factory can further improve its productivity performance. It does not matter if you produce basic products or value added products, large order quantities or small order quantities, high lead time or quick response orders; factory is in North India or in South India. Only thing to be kept in mind is that depending on the specific situation present in the factory and the market it caters to, the tools and methodologies for improvement will vary.

Cost of Inaction: A lot has been talked about the need for productivity improvement in the Indian apparel industry for over a decade. Many Indian apparel manufacturers have taken the initiatives and benefited from performance improvement. However the proportion of these organisations is miniscule in the overall apparel industry of the country. Still majority of apparel manufacturers have not initiated systematic productivity improvement efforts in their organisations. The matter is a cause of concern, specially, when one looks at the challenges the industry is facing.

It is of utmost importance that apparel manufacturers develop at least a medium term strategy for performance improvement in their organisations.

It's not that these companies are unaware of the need for improvement. Rather, in many cases, they are even convinced about the improvement potential available. However they are missing the sense of urgency and conviction that now is the right time for initiating such events. Still there is distance between the cup and the lips. The important points not to be missed are:

- It is already late and further delay in starting the action will only increase the distance between you and your moving target in terms of market expectations and it may become too late.
- The cost of inaction is very high. Untapped productivity is your



legitimate money that's going down the drain. A 350 machine factory could be losing about Rs. 10,000,000 per annum (conservative estimate) as a result of not acting on its labour productivity and non quality issues alone.

- So having known the improvement potential if a factory delays the start of performance improvement program, for example, by six months such factory has already lost about Rs.5000,000.00

As shown in the figure, it is not enough to make some efforts for improvement, it is important to know what your **Rate of Improvement is**. In case the Rate of Improvement in performance of a firm is slower than that of the competition or, market expectation, the competitive gap will keep on increasing.

This gap can only be filled by using a strategic performance improvement program for accelerating the rate of change and then take the organisation first to meet the market expectation and later beyond it and the competition. This in turn, can help the organisation in increasing its advantage over the competition over time.

"In a competitive world you have to run as fast as possible to retain your position, if you want to improve your position you have to make special efforts."

Role of Productivity Management: Higher productivity not only brings down the manufacturing cost thus improving cost competitiveness in the price sensitive market, it also helps the factories bring down the need for excessive overtime. This is a major issue that international buyers are trying to address worldwide. RBC has been working closely with many leading international apparel retailers and brands to bring in productivity and quality improvement among their supplier factories. As a result, the need for overtime working has gone down and working conditions have improved while retaining cost competitiveness.

Case Study: A Women's Fashion Apparel Exporting Company based in Delhi

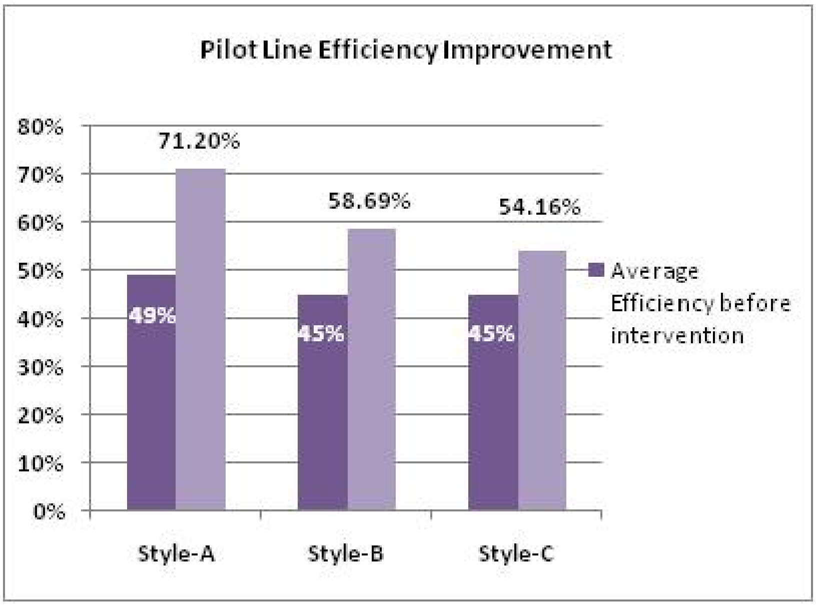
The company caters to European and the US retailers with monthly production capacity of about 65,000 garments. The project was initiated in partnership with one of company's leading UK customer and their buying agents in India.

Most of the managers of the factory came up from ranks. The factory did not have any Industrial Engineering staff. The factory was interested in improving productivity and reducing the defect rate and the customer was interested to see that this process of improvement resulted in improved HR systems and working conditions.

Thus the objectives of the project were decided as:

- To improve the labour productivity and floor efficiency
- Establish Industrial Engineering Department
- To improve right first time quality level
- To generate mutual trust amongst departments for a common goal

Productivity improvement: The styles produced on the pilot lines during the project period recorded productivity improvement ranging from 20% to 55.56% over the previously achieved performance. The graph shows the productivity improvement data for three styles produced over 60 days in two pilot lines.



Financial Returns: The factory was projected to save over Rs. 6,00,000.00 per month with the full roll out of productivity improvement initiative in all the lines. During the pilot implementation itself the project resulted in the savings of Rs. 363,660.00 through productivity improvement alone. The savings were calculated based on additional average CM earned of Rs. 60 per piece from extra production of six thousand sixty one pieces as a result of productivity improvement from pilot lines.

The benefits achieved gave the factory a possibility of gain-sharing with its workers in form of incentives creating a loyal and dedicated workforce and arresting worker turnover in longer run. The project demonstrated that productivity enhancement initiatives of this kind not only result in more productive and profitable factories, but happier and better-rewarded workers as well.

Conclusion: The garment industry in India as well as other parts of the world is witnessing the most challenging period it has experienced in recent history. However this is the time for apparel firms to have a close look at their operations. It is a time to initiate performance improvement programs without losing any more time. The case study shows that such initiatives will not only pay back but will help the organisations build much needed advantage over competition and retain profitability.