



case study | Improving Productivity and Profitability Through a LeanSigma® Transformation

India's Gokaldas Exports Ltd. is building a lean culture to remain a leader in the highly competitive global garment industry.

> client | Gokaldas Exports Ltd. (GEX) is India's largest apparel exporter. It is a "one-stop shop" for the world's most preferred apparel brands, including major casual and sports clothing lines. In 2008, GEX had US \$250 million in sales and employed 45,000 people working in 45 factories. The company has the capacity to produce 2.5 million garments a month. The Blackstone Group recently became a partner in GEX, which had been an entirely family-owned business since its founding in 1970.

> challenge | GEX had to improve worker productivity without adding resources to grow profits and remain competitive in the high-volume, low-margin global garment industry. Nike, a major client, strongly suggested that the company implement lean process improvements, but GEX's longtime leadership was skeptical that lean production would work in the garment industry.

> Solution | Reassured by TBM Consulting Group's guarantee of satisfaction and exposure to wide-ranging success stories at a "CEO Boot Camp," Executive Director Dinesh Hinduja invited TBM into the company for an assessment and subsequent productivity-improvement action plan based on the LeanSigma® methodology. This included the training of three COOs – Ashwin Hinduja, Vivek Hinduja and Gaurav D. Hinduja all of whom have undergone four weeks of lean training and have received lean certification.

> Results | Lean has become a key enabler for GEX and its future continued success in driving revenue, quality, and profitability. While the retail-clothing sector was devastated by a global recession, GEX made significant strides in on-time delivery, first-pass yield, and productivity—even growing sales by two percent in spite of a dreadful economic downturn. Key improvements are helping to significantly improve its competitive position within the industry: lead time, employee absenteeism and attrition.

Everything about India can be described as a paradox: Ancient and modern. Traditional but innovative. Communal yet highly structured.

Such dualism threads the story of manufacturer Gokaldas Exports Ltd. (GEX), India's largest apparel exporter. Founded by the late Jhamandas H. Hinduja in 1970 and – until recently – tightly controlled by his family, GEX has embarked on a plant-by-plant cultural transformation based on lean principles in response to heightened competition and customer expectations. Initially unconvinced that lean principles and practices would work in an Indian apparel company, GEX's leaders have since become converts after initial lean training and teamwork yielded productivity increases of as much as 35 percent (without adding resources).

"Now, everybody is on board," says Gaurav D. Hinduja, COO. "It is the most important thing in the company today, but it has taken almost two years to get to this point. I wouldn't say that we've successfully adopted lean everywhere already, but they know that this is the way forward."

Confident of GEX's future in the global apparel market, U.S.-based private equity firm, The Blackstone Group, became a partner by investing in a 50.1 percent stake in the company in 2007. GEX's commitment to lean process improvement as a high-level strategy attracted Blackstone.

"Lean implementation is very important to GEX and will be a key enabler for their future continued success in profitably, growing their top-line sales revenue and being a world-class quality global garment supplier," said Jeff Overly, executive director of The Blackstone Group.

Ready for New Ideas

GEX's founding principles of "passion, performance, people and products" fueled phenomenal growth over 30 years. Through hard work and a dedication to innovation and quality, the Hinduja family built their company into a major supplier of the world's most preferred apparel brands, including leading casual and sports clothing lines such as Nike and The Gap. In 2008, GEX had US\$250 million in sales and employed 45,000 people working in 45 factories.

But at the dawn of the 21st century, increasing competitiveness in the global garment industry started depressing the company's profits. GEX's leaders determined they would need to improve profits 15 percent to 20 percent without adding resources in order to maintain their leading position. Nike, a major customer, introduced the company to lean manufacturing concepts through a preferred supplier program and strongly suggested GEX implement lean to stay competitive.

Some members of GEX's leadership team recognized that lean management could be a long-term solution, but long-time family members resisted, a common reaction to new ideas in many Indian businesses that have achieved success using a traditional management philosophy. They believed it was a good idea for automotive and other heavy-industry companies, but not theirs.

"Their belief pretty much was that it would not work in the garment industry," said Mike Serena, director for TBM Consulting Group and one of the TBM teams to work with GEX.

> Behind the Blackstone Group's Success

Asset- and financial-management company relies on LeanSigma® benefits

The Blackstone Group is a leading global alternative asset manager and provider of financial advisory services listed on the New York Stock Exchange (BX), with total fee-earnings assets under management of \$92.2 billion as of March 31, 2009. The company evaluates investments based on its goals to create positive economic impact and long-term value for its investors, the companies it invests in, the companies it advises and the broader global economy.

“Blackstone considers TBM a strategic partner for providing LeanSigma® support and expertise to the appropriate Blackstone portfolio companies,” says Jeff Overly, executive director of The Blackstone Group. “Blackstone portfolio companies embrace LeanSigma® strategies as a key enabler for them to improve their overall business competitiveness in areas of cost reduction, profitable revenue growth, quality improvements, delivery improvements, and environmental health and safety improvements.”

Sewing Line: Before Lean/After Lean



A 60 percent drop in WIP inventory contributed to a substantial reduction in lead time, something that GEX's customers greatly value because it helps them meet their business goals.

Nike so strongly believed that lean practices would position GEX for the future that the company paid for TBM Consulting to assess GEX's operations in March of 2007. The assessment revealed the potential for significant improvement, but GEX's leaders still resisted. Finally, when learning of TBM's unconditional satisfaction guarantee, the founding fathers agreed to test the waters.

The first kaizen event took place at a pilot plant in May 2007. That fall, GEX executives attended a “CEO Boot Camp” hosted by TBM at which they learned of many successful lean implementations outside of heavy industry. This gave another boost to their growing confidence in the new management philosophy, and they granted COO Gaurav Hinduja permission to start a training program to implement lean.

Pilot Makes an Impression

TBM and GEX launched their LeanSigma journey at GEX's Euro Clothing Company (ECC). According to Serena, the implementation went so well, it

sparked a raging fire that started spreading throughout the rest of the company. Finally, the company's leaders fully embraced a LeanSigma philosophy.

“Initially, we needed to establish a best-piece flow within cellular line designs, to seriously address recurring quality and equipment issues and monitor all output hourly,” Serena said of the ECC implementation. Fixing [WIP] levels at key interface points, incorporating packing at the end of a production line and a renewed vigilance to quality assurance allowed us to significantly reduce lead time to the customer, significantly increase ‘first-time right’ production and improve our on-time delivery to our customers.”

From January 2008 to March 2009, TBM and GEX expanded the program to four plants, resulting in a total savings of \$2 million a year on a one-time investment of \$1.2 million. On-time delivery at the plants improved 80 percent to 90 percent, and first-pass yield improved 75 percent to 85 percent. Across the company, productivity shot up 35 percent, and sales grew by two

Improvements at Euro Clothing Company Plant	
Work in process inventory:	2.5 days to 1 day
Productivity:	A 42 percent improvement by going from 2.1 units per-person/per-day to 3 units per-person/per-day
First-pass yield:	85 percent to 92 percent
Adherence to takt time:	35 percent to 55 percent
Changeover improvement:	40 percent

Cutting Line: Before Lean/After Lean



Implementing a cellular design was a significant step toward improving first-time quality and balancing flow to takt.



percent in 2008 without adding assets and in spite of a global recession that devastated the retail-clothing sector.

The company plans to expand its LeanSigma approach to 15 plants by March of 2010 (75 percent of capacity) and is expanding kaizen events to business processes as well. Companywide, GEX teams hold an average of 10 kaizen events a week.

While GEX improved upon many operational metrics – and continues to improve upon them – two improvements have significantly increased its competitive position within its industry: lead time and employee absenteeism/attrition.

According to Serena, the 60 percent drop in WIP inventory contributed to a substantial reduction in lead time, something that apparel customers greatly value because it helps them meet their business goals.

“Lead time, the time it takes to give the customer what they want, is significantly increased as the amount of WIP increases within a production line,” Serena explains. “For example, if there are 10 workstations in a production line working at a pace of 60 seconds, it would take 600 seconds of lead time to complete a particular garment. If we place one extra piece between each workstation, that lead time would almost double! By reducing WIP, improving lead time and on-time delivery, customers are more apt to order from GEX because they can get their product quicker – and usually at a

reduced cost – thus allowing them to procure more business, greater market share and, if the margins are met, greater profitability.”

Overcoming Cultural Challenges

Serena and Gaurav Hinduja said India’s culture can create unique challenges when introducing and applying lean, something that was evident from the beginning of GEX’s efforts.

The biggest challenge relates to worker absenteeism. Serena explains that when it comes to choosing between family events and going to work, family wins most of the time, especially because the garment-industry workforce is comprised mostly of women.

“Weddings, festivals, extended-family issues and any domestic issues are frequent and repeatable reasons for absenteeism,” Serena says. “Just about any domestic issue at home will always take precedence over going to work. GEX does an excellent job of promoting job-related benefits such as on-site cafeteria and medical facilities, subsidized food, babysitting and ambulance service.”

Additionally, the company pays an incentive each month for perfect attendance and has created a productivity-focused cash-bonus and savings fund for employees.

The Lean Fund is a savings program in which an employee earns a bonus when their production line exceeds greater than the 70 percent efficiency target. GEX pays

50 percent of the bonus in cash directly to the employee and banks the other 50 percent in the employee’s name. This money can be withdrawn at any time, and an employee can borrow money from this fund with no interest.

Another challenge is that India is a highly structured and segregated culture in many ways. Socially, there is the well-known caste system, and in the workplace, the tradition of bosses holding power and dictating instructions to workers remains.

“The Indian culture is very different because it is a hierarchical culture,” Gaurav Hinduja says. “The general perception in India is that the boss is always right. So it’s that part of the culture that makes the adoption of lean a little more difficult. If your boss is into lean, then you are into lean; if your boss is against it, then you are against it.”

Gaurav and his contemporaries on the leadership team faced this when their elders questioned whether an investment in lean was worth the effort. Key to convincing them was patience, perseverance and taking small-but-convincing steps such as starting with one kaizen at one plant.

At the employee level, training of mid-managers planted lean thinking at the group-leader level because it was apparent the new practices would have to be accepted among mid-managers before plant-level employees could be properly trained.

“We put all of our general managers in a two-week lean certification class so they could start understanding the whole concept,” Gaurav Hinduja said. “Secondly, we just didn’t take no for an answer. We started identifying those people who did understand the meaning of it, and we had to part ways with one or two people who turned out to be big roadblocks.”

Additionally, GEX appointed dedicated continuous improvement officers to each site. The company now has 65 such officers at 15 locations. The officers have helped to bridge

the gap between the ultra-traditional workplace cultures of India and lean management's emphasis on employee empowerment. For example, eliciting improvement ideas from operators has been difficult because it's not in their nature to decide for themselves what to do. The idea of following the boss's order has been instilled in them from childhood. So, the continuous improvement officers tend to introduce improvement ideas for kaizens.

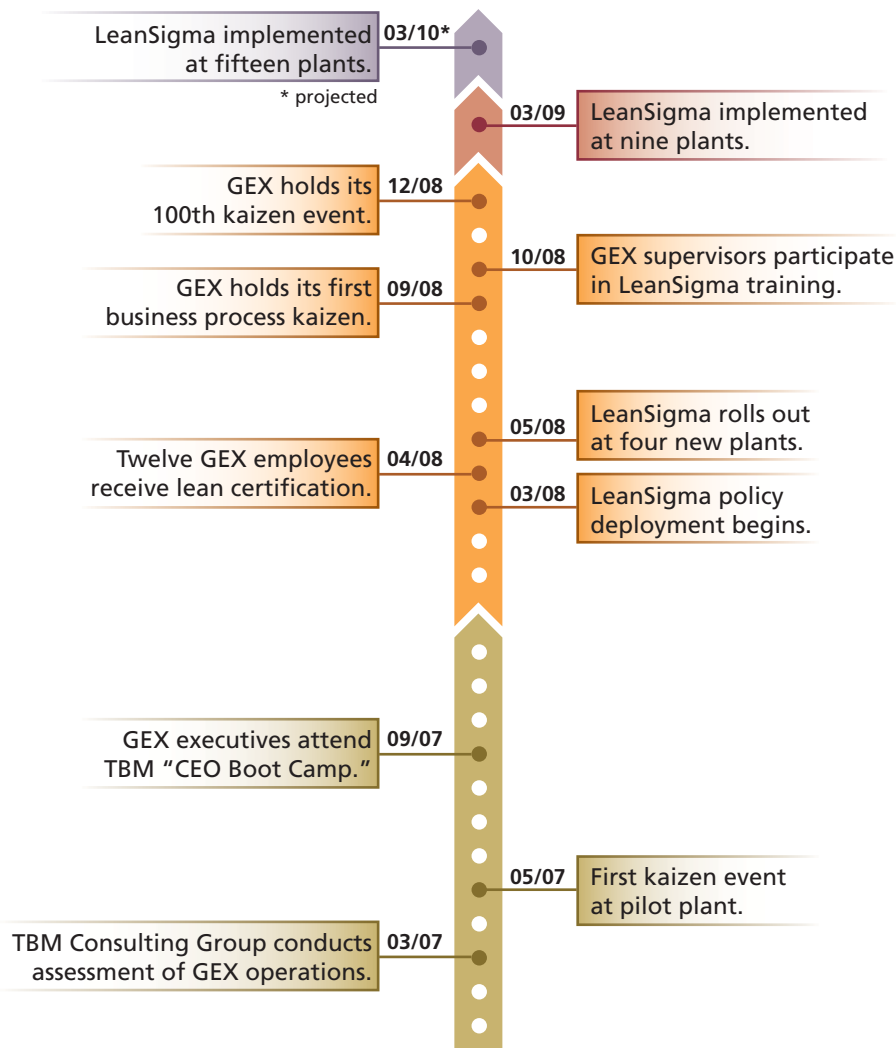
Going Forward

The global recession starting in 2008 caused a drastic drop in apparel demand, but GEX is positioned to weather the downturn. India is the world's sixth-largest apparel exporter, and the third-largest among Asian nations. As the global economy recovers and demand bounces back, a wave of consolidation among small-scale producers is expected. As a large-scale lean producer, GEX is positioned to grow revenues with limited investment in new resources.

> About TBM Consulting Group

TBM Consulting Group, Inc. is the leading provider of LeanSigma® consulting and training services in North and South America, Europe and Asia. The company's mission is helping manufacturers and service industry businesses create a competitive advantage to generate significant growth in sales and earnings. The company provides the strategic direction and hands-on implementation to guide cultural and organizational transformation.

GEX LeanSigma Timeline



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