

Gokaldas Builds a Lean Culture and Increases Profitability | Case Study

Client

› **Gokaldas Exports Ltd.** (GEX) is one of India's largest apparel exporters. It is a "one-stop shop" for the world's most preferred apparel brands, including major casual and sports clothing lines. In 2007, the private equity firm, The Blackstone Group, became a partner in GEX.

Challenge

› 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 key 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 four weeks of lean training for three chief operating officers, all of whom received lean certification.

Results

Initial lean training and teamwork yielded productivity increases of as much as 35 percent—without adding resources. GEX made significant strides in on-time delivery, first-pass yield and productivity. Plus, sales increased by two percent in spite of a severe economic downturn. The company's competitive position within the industry was strengthened due to improvements in lead time, employee absenteeism and attrition.

India-based Apparel Manufacturer Adopts LeanSigma® and Increases On-time Delivery, Enhances Productivity and Grows Sales During Global Recession

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.

"Their attitude 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 team to work with GEX.

"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.

Pilot Makes an Impression

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.

Improvements at Euro Clothing Company Plant:

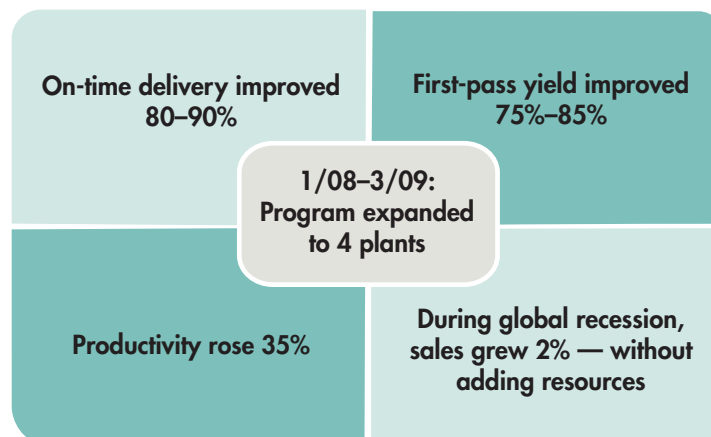
- **Work in process inventory:** 2.5 days to 1 day
- **Productivity:** A 42% improvement by going from 2.1 units per-person/per-day to 3 units per-person/per-day
- **First-pass yield:** 85%–92%
- **Changeover improvement:** 40%

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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." 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.

From January 2008 to March 2009, TBM and GEX expanded the program to four plants:



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.

To help combat high absenteeism, GEX created The Lean Fund, which allows employees to earn and save a bonus when their production line exceeds the 70 percent efficiency target.

Another cultural 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.

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.

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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.



Cutting: Before Lean/After Lean

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



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."

