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Management Practices of Small Scale Textile Units

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Management can be defined as an act that involves the control, supervision and leading of other persons. It also involves overseeing projects, resources and business enterprises, a...

Business management is all the people and programs used to help keep a business on track. It helps establish goals and includes the processes needed to reach those goals

Measuring management requirescodifying the concept of good and badmanagement into a measure applicable to different firms within the manufacturing sector. The researchers used an interview-based management practice evaluation tool that defines and scores from 1 (worst practice) to 5 (best practice)across 18 of the key management practices that appear to matter to industrial firms based on McKinsey's expertise in working with thousands of companies across several decades. The 18 practices fall into four broad areas:

INDIAN TEXTILE INDUSTRY AND ITS MANAGEMENT PRACTICES

paternalistic, with strong task orientation and centralised decision-making. There is concern with rules, and emphasis on patience and modesty. The risk tolerance is very low with and high power distance and masculinity. With the Indian culture stressing on family and societal values, individualism happens to be very low. Solapur textile worker' culture is high on masculinity, power distance and uncertainty avoidance, but high in empathy

The textile industry in India plays an important role not only in terms of generating high volumes of inflows to the country, but it is also one of the leading employers with nearly million peoples working. Numerous firms characterize this sector employing people from various background and culture. Except for few branded firms most of the firms are small manufacturing units. Due to cheap labor costs and low educational standards, women and young adults' form the major work force of the shop floor. In the indigenous firm's people with minimum education level, with no specialization in their field of operation form the middle management. In most cases, the owner of these kinds of small firms forms the sole brain behind the business.

There is no consistency in the decad ial numerical growth of the sampled small scale textile units, only the decade of 1971 – 80 has shown a significant growth. Constitution-wise, an overwhelming number of units (86%) are proprietary, 10% are weavers' cooperatives and just 4% are HUF partnerships. Thus, there is a conspicuous lack of limited companies, duly incorporated under the Companies Act, 1956. this naturally places limitations on their raising of borrowed funds form the financial institutions.

Most of the units specialize in the production of just one textile item, terry/Turkish towels (63%) and bedsheets (22%) being largely popular. At least one-fourth (27%) units have linkages with other textile – related units, under a different ownership, for collaboration in production (12 units), marketing (9 units), finance (4 units) and management (2 units). Majority (14) of these linked-units are located in Solapur City itself, followed by 10 units located in the nearby districts of Sangli and Kolhapur and 2 units in Solapur district itself.

1.Core Management Practices

Majority (86%) of units being proprietary concerns, there is no question of holding partners/board of directors meetings for them. More than four-fifths (87%) units undertake regular core planning exercise for time-frames varying form one week to a year, wherein production, finance and marketing areas receive, more or less, equal attention. More than half the units (55%) report variance between planned targets and actual performance. Again, only 38% units have reported above-80 per cent capacity utilization, it is at 65-80 per cent for 39% units and at 50-65 pre cent for 21% units. The reasons for capacity under-utilization, in a descending order, are financial difficulties, raw material shortages, fluctuating demand, skilled labour shortage and power shortage.

Excepting 3% largish professionally-managed units, in none of the remaining units, the functional departments of production, finance, marketing and personnel are headed by suitably qualified persons. Only in 84% units, all the departments are adequately staffed; while only in 71% units, the department heads have been delegated the authority necessary to take spot decisions. In majority of the units, records are maintained up-to date (91%) , and statutory returns and reports are filed on time (93%) units prepare annual budgets but only 83% of them monitor budgetary outlays and actual spending.

The overall picture that emerges about the core management practices of these units is that of the family-ownership pattern, small size operations, low levels of technology and skills required. All these have imparted a certain traditionality to their operations. Consequently, there is an absence of modern, futuristic attitude in their core management processes. This is primarily reflected in their lukewarm approach to core management functions of planning, organizing, staffing, directing, coordinating, recording/report and budgeting, The tepidity of the core management functions, in turn, affects the functional management areas.

2.Financial Management Practices

The proprietors/partners of the majority (around 85%) units have invested between Rs.10 lakh to Rs.50 lakh of their own funds in their ventures. But again, one third (33%) operators have taken land and building as well as plant and machinery on rental. Similarly, about two-third (64%) units being jobbing units, do not varry dtocks

either of raw materials or finished goods. As regards land and building as well as plant and machinery, the investments vary from upto Rs.5 lakh to above Rs.25 lakh; and about 25% units carry stocks of raw materials and finished goods of only upto Rs.5 lakh.

The sales of majority of the units have shown a fluctuating trend during the period form 1999-2000 to 2003-04. This is due to several factors such as competition from other textile centres, cheap imports, consumer preference for mid-price range items, as also the effectiveness or otherwise of the producer units.

It is also observed that the prices of the raw materials are unstable, but the prices of other requisites and power and water usually are stable.

Interestingly, majority (64%) units have no borrowings at all, because the jobbing units usually are supplied the needed raw materials by their buyers, while the remaining units receive reasonable credit from their suppliers. Hence, they can, make do without borrowed funds. The remaining 36% units have availed cash credit from the banks for working capital requirements as well as short-,medium-and long-term loans. Majority (72%) of the borrower-units are regular in the repayment of their loan dues.

More than two-thirds (69%) units do not receive any credit from their suppliers, consequently they are also unable to extend any credit to their customers. Nearly three-fourths (71%) units do not prepare cash-flow plans; but the cash-flow plans of the remaining with regular financial ratio analysis to evaluate own performance. Majority (88%) units regularly pay their taxes and duties.

Lastly, two thirds (66%) units are satisfied with the profitability of their business operations. Market fluctuations, stress on self-financing, etc., are the major causes behind the unsatisfactory profitability of the remaining one-third (34%) units.

It may thus be concluded that the finance mix (owners' capita : investments in land & buildings, plant & machinery, raw materials stocks and finished products stocks : borrowed funds) of these units is only somewhat satisfactory. Although their sales are shoeing an upward trend, because of the ingrained traditionality and the proprietary mindset of their owners, majority of these small scale textile units lack a sense of financial discipline in conducting their affairs.

3.Production Management Practices

Majority (72%) units are doing job-work for others and 79% of them operate only on a single shift basis. More than half the units complain of the inadequate availability of major raw materials (58%), major requisites (56%), power and water (69%) and skilled skilled labour (56%). The state of production machinery is satisfactory only in 60%. The levels of raw materials and spares inventory are satisfactory only in 57%. Around two-thirds (62%) units do not prepare production plan; for the remaining units, the time frame of the production plan varies between a week and a month. Majority (90%) of the units keep their production plan flexible, both to accommodate rush orders as well as to take care of the production delays due to power failures. Interestingly, around one-fourth (23.25%) units achieve their production plan above 100% and 29% units achieve it between 100-80%. The remaining 47.5% units achieve it less than 80% shortages of assorted production inputs, Particularly power and raw materials, together with labour problems like absenteeism and skilled labour shortages, are the usual reason for their poor performance. About three-fifths (61%) units have not adopted any quality control

inspection and statistical quality control for checking the quality. Interestingly, one fourth (26%) units (whose bulk production is earmarked for export) obtain product quality

certification from an outside testing laboratory. The remaining units, catering mostly to the domestic market do not bother with such elaborate measures.

Considering the traditional nature of the products being manufactured by these units, the low level of the technology involved and the reasonably satisfactory availability of the major production inputs, it may be concluded that the production management practices of these small scale textile units are barely sufficient to meet their individual requirements.

4.Markrting Management Practices

Excepting a handful (16%) of small jobbing units, the remaining have a marketing department, but nearly two-thirds (63%) of them do not prepare any markrting plan; for most of the remaining units, the usual marketing plan time-frame is from one week to one month. Nearly half (57%) the units preparing a marketing plan, keep it flexible to accommodate demand fluctuations, production bottlenecks, etc. It is also observed that majority (73%) units achieve their marketing plan between 80% to above 100%.

Being job-workers, 72% units do not need any marketing channels, but 4% units have own retail outlets chain, 10% units have own retail shop and 25% units market their product through a network of distributors /wholesalers/dealers in various cities and neighbouring States. Around 31% units being captive producers, market their products under a brand-name. Around two-thirds (64%) units package their products (particularly, saris and towels) attractively; the remaining units, being job-workers, are rid this process. At least half the units (50%) offer replacement/cash refund for market rejects for market rejects for retaining the goodwill of their local (and bulk) buyers.

Consequent to the cut-throat competition at the market-place, three-fourths of these units are under compulsion to offer both price and quantity discounts to their buyers. Around two-thirds (64%) units do not undertake any promotional efforts, but 25% units issue gift-coupons and 141% units offer gifts (like television sets, electric fans, mixer-grinder) on quantity purchases. Only half (45%) the units undertake regular advertising, their popular channel being newspapers and periodicals; other channels being point-of-purchase (POP) displays, billboards and hoardings, and sponsoring of local sports and festival events. About one-fifth (19%) units' marketing coverage is purely local, at the other end, two-fifths (41%) cover the entire country and in between (16%) units' coverage is regional, i.e. neighbouring States. Around half (46%) units do not need warehouses, 44% units have a centralized warehouse and 10% units have decentralized warehouses. Hired vehicles is the preferred means for transporting the finished products to the warehouses.

Considering the consumer-item nature of the textile products and the long established marketing channels of these small scale textile units, it may be concluded that the marketing management practices adopted by these adequately serve their individual requirements.

5.Personnel Management Practices

Around one-fifth (19%) units have a qualified head for its personnel department. These are somewhat largish units, working in two or three shifts and employing ground 40 workers. Referrals from friends/relatives/employees is the preferred recruitment channel, followed by gate recruitment. Formal interview and informal discussions are the major parts of the selection process. Around three-fifths (61%) units give induction training to the new employees. Around two-thirds (67%) units conduct yearly performance appraisal of the employees for the purposes such as granting of increment, promotion and for identifying potential for development. All the units conducting yearly performance appraisal, also conduct a post-appraisal counseling interview to let the employee know how the management views his/her performance and the expectations from him/her. The employee promoting policies differ from unit to unit, in 64% units, it is merit-based, in 26% units, seniority-based and in 10% units, merit-cum-seniority based.

Only one-third (37%) units have a predefined wage policy; fourths (75%) units have wage parity with other similar units in area. Two-fifths (40%) units have a workers' union on their premises and majority (33%) of the managements have cordial relations with the union. Around one-fourth (24%) units employ contract labour, at a varying percentage from less than 50% to 100%.

Employee welfare scenario in the study universe, however, is rather bleak, which may be evidenced from the following statistics:

Medical Treatment for Injuries (available in 82% units), First-Aid Provisions (75%), Annual Bonus (Ex-Gratia) (56%), Display of Safety Instructions (56%), Annual Bonus (Statutory) (54%), Rest-room (40%), Salary/Wages Advance (39%), Factory Canteen (37%), Cash Incentives/Rewards (26%), Suggestion-cum-complaint Box (20%) Counselling for De-addiction (19%), Open-Door Policy of Managers (15%), Counselling for Job Stress (14%), Leave of Absence (unpaid) (13%), Accident Leave (full Pay) (12%), Grievance Redressal Procedure (12%), Conveyance Facility/Allowance (11%), Casual Leave (full pay) (10%), Medical Leave (full pay) (9%), Regular Departmental/Staff Meetings (9%), Maternity Leave (full pay) (6%), Educational Assistance for Dependents (4%), Earned Leave (full pay) (3%), Guarantee for Employees' Bank Loans (3%), Employee Credit Cooperative (2%), Medical Care for Dependents (2%), and Employee Housing Cooperative (1%)

Employee welfare is somewhat better in the units with union presence; in other units, the workers are entirely at the mercy of the owners…

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