



Moving Towards a Competitive Edge: A Case of ABC Apparel Solutions Limited

**Staff Development Unit
Faculty of Commerce and Management Studies
University of Kelaniya, Sri Lanka**



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Published By:

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ISBN 978-955-4563-33-9

Acknowledgement

Authors would like to express the deepest gratefulness to the Vice-Chancellor, Prof. Sunanda Maddumabandara, University of Kelaniya, Dean of the Faculty of Commerce and Management Studies, Dr. D.M. Semasinghe, Staff Development Unit and the Research Centre of the Faculty of Commerce and Management Studies, Head of the Department of HRM, Dr. K.A.S. Dhammika and all those who assisted us and have shown the attitude and the substance of a genius for the successful completion of this case development.

Secondly, Authors' special gratitude goes to management of the selected company. Furthermore, authors would like to thank all the final year students of the Department of HRM for continually and persuasively conveyed a spirit of adventure to the case study by collecting information. We also thank all the authors of various books and articles made use of during the study and all the persons who openhandedly provided information to make this case study a success.

Contents

	Page
Executive Summary.....	05
Overview of the Industry.....	06
Review of Literature.....	12
Changing to Change.....	15
Plans into Actions.....	24
Discussion of Case Insights	27
Bibliography.....	38

Executive Summary

With rapidly booming technological, economical and political environments, the change and development for an organization is critical. Organizations should have their keen focus on the change in the environment and adjust and maintain them to be sustaining in the competitive environment. In Sri Lankan context, there is a need to investigate how these changes are addressed by the apparel sector. Having understood that, the authors selected a leading apparel solution in Sri Lanka; ABC Apparel Solutions Limited. This case focuses on four major changes occurred within last five years in the selected domain referring to the theories of continuous, transformational and trans-organizational changes. Furthermore, this case signifies how the redefinition occurred in terms of the name change, structural change, merger and the implementation of ERP solution. As per the analysis the organization has managed the change effectively by reducing the complexity of the structure, managing the confusion of the employees, improving the quality of the products, accessing to new technological resources, improving the effectiveness and efficiency, and high speed of implementing the practices in order to enhance the sustainability.

Keywords: *Change and development, Apparel industry, sustainability*

OVERVIEW OF THE INDUSTRY

Introduction

This section provides a brief introduction to the case background covering historical and social context of apparel sector in Sri Lanka, importance of change management for a business and the basic introduction to the ABC Apparel Solutions Limited.

Background

The Global Textile Industry, particularly the Apparel Industry has seen remarkable changes in the past few years. The Garment Manufacturing Industry and the Garment Companies in developed countries are now always on a lookout for cheap source of garment production. The days are gone when textile garment industry was concentrated in the consumption hubs of US, EU and other developed countries of the world. The elimination of global export quotas has led to a shift towards low cost countries having strong and established Clothing Industry especially the Asian countries, and Sri Lanka is one among those Asian Countries.

As per the Global Textile and Apparel Industry: Vision 2015, World Textile and Apparel Trade is expected to reach US\$805bn by 2015 from US\$ 650bn in 2010. At present few countries like Bangladesh, Thailand, Cambodia, Sri Lanka, Pakistan contribute major share in Forex earnings of their country from Textile and Clothing trade, though their share in the world market is not very significant.

History of Sri Lanka textile and clothing industry had emerged from a modest beginning in the early 1950s. A few pioneering industrialists who started out on an uncertain course at that time, confined their manufacture only to some popular items of

garments and catered essentially to local demand. By the end of the 1950s there was a reversal in policies and the economy moved towards restrictions on imports and a policy of import substitution in industry began to peruse. While the major basic industries were reserved for the state; a wide range of consumer goods industries were opened to the private sector, which was provide with various investment incentives and a protected market. Over the decade of the 1960s as many as 300 categories of industrial products began to manufacture locally. Among these range of products a major item was textiles and another readymade garments, though from the outset raw materials required for the garments industry were imported.

It was in the late 1960s that Sri Lanka's ready made garments began to break into export markets. Sri Lanka's shirts had found acceptability in markets such as the UK and the Soviet Union and a leading shirt manufacturer began exporting up to Rs: 2 million worth of product annually to the USSR, within the bilateral trade agreement between Sri Lanka and the USSR.

Around 1972 there was a change in outlook towards the industry as existing policy was altered to allow certain sectors to adapt an export-oriented approach. Special foreign exchange allocations and other fiscal and tax incentives were offered to selected export-oriented industries under this package. In the first six years of the 1970s over 2,500 industrial units received approval from the Local Industries Approve Committee (LIAC) and of these nearly 2000 were in the product group of Textiles and Textile based industries. By the mid-1970s wage / inflation and imposition of trade quotas on exports of traditional, Asian Suppliers of made-up garments such as Hong Kong, Taiwan, South Korea and Singapore made Sri Lanka as more attractive location for the industry. New units began to establish in

collaboration with foreign capital/marketing, while production was upgraded through imports.

The period after the late 1970s saw a rapid expansion of the clothing industry in Sri Lanka. The impressive growth witnessed during this period can be attributed to two major factors. The first is the market-oriented liberal economic policies introduced in 1977. The market-friendly economic reforms, which identified the private sector as the engine of growth, placed greater emphasis on the export-led industries.

The second important factor which contributes to the remarkable expansion of the Sri Lanka textile and clothing industry is the Multi Fiber Arrangement (MFA). Sri Lanka is one of the countries that benefited from the quota hopping investments. The overseas manufacturers of garment that relocated their production facilities in Sri Lanka include firms from both and Newly Industrialized Countries (NICs) in East Asian and Europe.

Firms moved their operations mainly as a means of “quota hopping” the motivation for producers of countries such as Germany and the UK to move into Sri Lanka was the rising production costs in their home countries. Given the ability to separate the different stages of the clothing industry, these overseas producers were able to disintegrate their production lines into low-cost countries like Sri Lanka without much difficulty. Investments by these two categories of foreign manufacturers fuelled the growth of the Sri Lankan clothing industry to a large extent. In fact, the factories set up as joint ventures and wholly owned by foreign companies account for almost half of the total export earnings from garments.

Sri Lanka Apparel supports many initiatives focused on minimizing its impact on nature. Every effort is being made to create sustainable growth by protecting the environment, both at the workplace and in the community. International standards of recycling, effluent treatment and waste management practices are followed to run the operations at optimum environmental efficiency.

Sri Lankan garment industry is now progressively moving towards the 'fashion' industry from a purely manufacturing industry. The team of designers and technical experts being mindful of the fast changing trends in modern designs, use the latest technology in the production of finely tailored and customize products in high volume.

Sri Lankan apparel has evolved from traditional exports and tailoring designs to providing sophisticated solutions, creativity and experience in BPO services, Fashion, R&D, and Innovation Centers, bridging the country's gap between developing and developed. The country has the highest apparel exports per capita of any exporting nation in the region.

Sri Lanka's envisaged exponential growth through hub services will emphasize the industry's rise to international fame. It is no surprise that Sri Lanka's top three apparel companies are already amongst the world's 50 most important suppliers, and the industry has sustained over US \$3 billion in export revenue for five consecutive years.

As one of three Sri Lanka's top apparel companies, ABC Apparel Solutions Limited spreads throughout the global as a strong network where their subsidiaries are positioned in India, Bangladesh, Indonesia, South Korea, UK & USA. ABC Apparel Solutions Limited; Lingerie is the Group's Underwear Product Development and Manufacturing subsidiary. Through

the investments in two additional sewing facilities is today an industry acclaimed Bra cluster business unit supported by a fully-fledged Lingerie Solutions Centre.

Change management plays an important role in any organization since the task of managing change is not an easy one. When we say managing change we mean to say that making changes in a planned and systemic fashion. Changes in the organization or a project can be initiated from within the organization or externally. Change management enables employees to adopt a change so that business objectives are realized. It is the bridge between solutions and results, and it is fundamentally about people, and our collective role of transforming change into successful outcomes for our organizations. This chapter deals with fundamentals of change management and how those fundamentals are taken place in an organization.

The company has been influenced by several major changes and the impact of these changes will be discussed through the report. Here, the company reviews importance of the change management and how these changes have to be implemented and direct in a premeditated approach. The company also considers flexible change management system during the project and describes organizational support upon it. Also company critically reflects on the concept of failure on change management and outlines the essentials on organization success.

Consequently, researches have selected the ABC Apparel Solutions Limited as the case domain since researches could get plenty of information regarding the change management process of the company and currently it has underwent four main changes, namely, combine main five companies as one legal entity, after amalgamation change from divisional

structure to functional structure, joint venture with Accenture, the largest BPO on earth and finally Integrate all sub systems under one M₃ ERP system. From this study authors would investigate the apparel sector in Sri Lanka covering historical and social context of it, importance of change management for a business, profile of the company, major changes happened (Case presentation) management plan for care (management and outcomes) and questions raised by four changes (Discussion).

REVIEW OF LITERATURE

This Section provides a review of literature pertaining to organizational change and development and provides theoretical underpinned ideas from different scholars who were interested on organizational change and development.

In the current climate of economic pressure and evolving political priorities, organizational change is becoming a major part of an organization. Change is a complex process that can have negative as well as positive outcomes and as such it is worth looking at the available evidence so that the process is conducted as efficiently and effectively as possible.

Organizational change is an empirical observation in an organizational entity of variations in shape, quality or state over time after the deliberate introduction of new ways of thinking, acting and operating. The general aim of organizational change is an adaptation to the environment or an improvement in performance.

First, describe evolutionary, incremental, or first order changes. These are small changes that alter certain small aspects, looking for an improvement in the present situation, but keeping the general working framework. The second types of changes are strategic, transformational, and revolutionary or second order ones. They are radical transformations, where the organization totally changes its essential framework. Looking generally for a new competitive advantage and affecting the basic capabilities of the organization.

An important consideration is the nature of the change encountered by an organization. Generally, within the literature, the nature of change is considered from different perspectives that tend to explore combinations of the scale of the change and

its relative impact on core organizational paradigms. A commonly encountered taxonomy for examining types of change is the distinction between incremental and radical change. However, the definitions of each of these concepts tend to vary and are regarded as overly simplistic.

In reviewing this aspect of the literature, it is clear that different ‘orders’ of change can be identified sub-system change, organization change, and sector change.

Against a background of rapid technological development, a growing knowledge workforce and the shifting of accepted work practices, change is becoming an ever-present feature of organizational life. Many organizations appreciate the need for change, as many as 70% of the change programmes do not achieve their intended outcomes. Change management, which falls within the broader theoretical framework of social change has been a perennially popular topic in the organizational effectiveness and management literature.

The context factor refers to the organization’s external and internal environments, such as a changing political environment or the institutionalization of a public organization. The content factor focuses on the content of the change, including the organization’s strategies, structures, and systems. Third, is the process factor, which describes the interventions and processes that are involved in the implementation of change. Fourth is the criterion variables, referring to the outcomes of change, including the attitudes, behaviours, and experiences of those involved with the change. An additional factor we include in our frame relates to the leadership of change, which has been receiving increasing attention in the change management literature.

Implementing new practices is one element of changing organizations. However, evidence suggests that ‘initiative decay’, where gains made from change are lost from the abandonment of new practices, is widespread. As a result, considering how to sustain change is clearly a crucial component of the change management process. Surprisingly, though, while implementing change has been the subject of considerable research and theory, relatively little research has been carried out on the issue of sustainability.

CHANGING TO CHANGE

Introduction

This section provides important information obtained from the four changes executed by ABC Apparel Solution Limited.

Change 01: Name Change and the Merger

As an initiative stage in the transformational change of the company, they changed their Name. It can be seen as an amalgamation. That means they have combined their main five companies as a one legal entity. Now they completely formed a one ABC house and it is called as “ABC Apparel Solutions Limited ”.

Before they do the change, ABC Apparel Group of companies have been operating as separate main five legal entities as described below.

[1] ABC Casual Wear Apparels (Pvt) Ltd

Casual wear forms the core of the group, its flagship unit where 'inspired solutions' are conceptualized in a holistic service to its customers. The company supplies woven bottoms, basic pants, cargo pants, 5-pocket jeans, shorts and skirts. The quintessence the product-portfolio to the world's top brands. Its seven production facilities include a state-of-the-art, fully automated denim facility which is the first of its kind in Sri Lanka.

[2] ABC Intimate Apparel (Pvt) Ltd

Intimate manufactures fine lingerie, sleepwear, knit tops and loungewear chiefly from a fabric base of fleece knits and micro-satin. With design and development being one of the important focal points in the apparel industry, the Group has made considerable investments in this area and ABC Intimate

develops local design capabilities to service customer requirements and add value. The company's capabilities of working with multiple fabrications and producing multiple styles has not only generated an impressive product portfolio but has resulted in extensive experience in handling and producing knit and micro-satin garments. A dedicated design studio, buyer-recommended fit models and fashion forecasting helps achieve customer satisfaction.

[3] ABC Lingerie Apparel (Pvt) Ltd

Lingerie is the Group's Lingerie Product Development and Manufacturing subsidiary that via the 100% acquisition of the renowned manufacturing facility formerly known as ABC Comfort Wear (Pvt) Ltd in 2009 and through the investments in two additional sewing facilities is today an industry acclaimed Bra cluster business unit supported by a fully-fledged Lingerie Solutions Centre. Apparel & Supply Chain zone that houses the Product Design, Product & Technical Engineering, Supply Chain Solutions & Marketing Teams in supporting the company's business with reputed lingerie retailers that include Limited Brands, Such as La Senza, Marks & Spencer, H&M, Etam, Lane Bryant, George and many more.

[4] ABC Finishing Apparel (Pvt) Ltd

Finishing provides Group-wide wet processing and finishing services that is integral to the inspired and vertically integrated solutions offered by Brandix. These propositions are also offered to a limited number of external customers locally. An all-inclusive Research and Development Unit works in close co-operation with customers and achieves a result that takes finishing to beyond mere processing.

[5] ABC Essentials Apparel (Pvt) Ltd

ABC embarked upon its strategy in mid-2006 to capture a substantial market share in the Underwear world. This underwear business is structured with its Product Development and Front End Centre in the periphery of Colombo Sri Lanka; four manufacturing facilities in rural Sri Lanka and a large scale manufacturing facility in the ABC India Apparel City in India. With a strong European and US customer base in underwear products, the business has offered a variety of products ranging from basic underwear to highly embellished, fashion underwear to its reputed brands.

Change?

At present above main five companies have been amalgamated as a one legal entity. There were some considerable reasons to do that change.

[1] To reduce the structural complexity

Mainly it was affected by the structural complexity of the previous companies since they had separate structures for each company. When they were operating for a one vision and mission, those separate structures of each company led to be more complex in their day to day operations. So they wanted to design one common structure for all their group of companies. Based on that requirement they had to form their group of companies as a one legal entity. Because of that reason, they amalgamated as one company by changing its company name as “ABC Apparel Solutions Limited. This can be considered as an initiative step of the transformational change of this company.

- **To improve the efficiency of company operations**

On the other hand, this company tries to reduce the steps of the process and try to be more efficient and more flexible in their operations. When they were operating with separate legal entity, they were unable to maintain the expected level of operational efficiency.

- **To rethink about business strategies and reshape the company process and system**

To win the apparel market in the world, this company needs to do the changes of their strategies and processing systems. Otherwise they cannot survive as the market leader in apparel industry. Therefore time to time this company should change their strategies and systems to face unexpected environmental changes.

- **To enjoy the continuous innovations**

By doing innovations to tackle the new business opportunities and provide better products and services for their customers this company decides to operate as a one single entity. Because this change leads to do new research and development in order to gain competitive advantages to the company.

What theory says?

According to the theoretical aspect of change, this kind of a change can be known as a step of the transformational change. Because, changing legal identity (Company name) of ABC Company led to change their company structure as well. Changing company structure can be considered as a transformational change.

Theories said that, with the combination of small changes leads to make big transformational change in the particular company. As well as through that kind of change entire company may be changed. With changing company legal identity, it is operated as one single company and establishes common strategies and policies based on their new cultural impact. Then in order to these new common strategies and policies company form a common structure. Hence, when we compare with theories this change can be considered as an initiative step of the company transformational change.

Change 02: Structural change from a divisional structure to a functional structure Description of Change

The Initiatives of name change is to the overall apparel sector of ABC has led to the change in the organization structure. ABC Apparel Solution Limited has moved to functional structure from divisional structure. Earlier the management control was based on the Strategic Business Units (SBUs) where the controls were in place based on the different clusters such as casual wear, comfort wear, intimate, finishing and lingerie. According to new

structure the focus is mainly given for functions such as finance, marketing, production, procurement, fixed assets, HR, and IT. The change was taken place mainly because of the strategy to specialize in all the fields and enhance the productivity in all the areas to ensure the total quality of the organization.

The new structure is introduced also to ensure the compliance with the corporate governance. There was a group CEO in the top of the structure as per the old structure but a Chairman was appointed in the top of the hierarchy to ensure the compliance to the governance as per the new structure According to the new structure the employees are responsible to report at least for two superiors since the structure is more or less going towards the matrix structure.

The initiative of structural change is considered as a transformational change as per the theoretical aspects since the change is not continued but it changes the overall picture of the company at once. According to the theory, transformational change is a shift in the business culture or structure of an organization resulting from a change in the underlying strategy and processes that the organization has used in the past. A transformational change is designed to be organization-wide and is enacted over a period of time. As such the decision to shift in the structure to functional structure is to increase the specialization which leads to achieve the overall corporate strategy of the organization cost leadership.

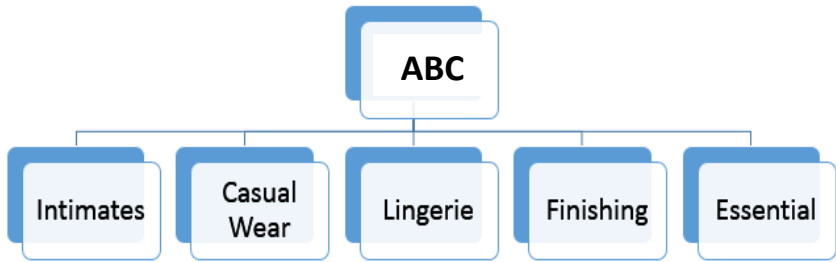


Figure 01: Old structure of ABCSL

Source: Authors constructed

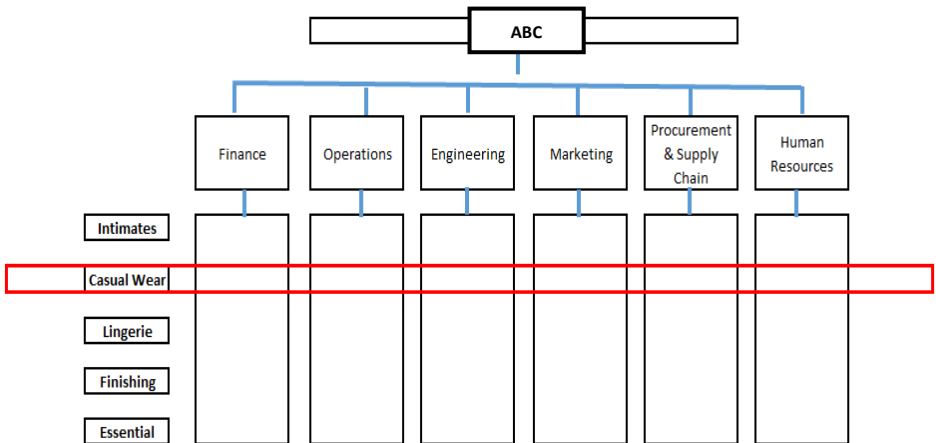


Figure 02: New structure of ABCSL

Source: Authors constructed

Change 03: Joint Venture with the largest Business Process Outsourcing (BPO) firm

ABC apparel assigned an agreement with Business Process Outsourcing Company namely Accenture to create a joint venture called Accenture Lanka. This is another kind of change that the ABC apparel going through within their group. Accenture is a global management consulting, technology services and outsourcing company, with approximately 275,000 people serving clients in more than 120 countries. It is the largest Business Process Outsourcing (BPO) Company in the world.

Before implementing this change all the HR Administration activities done by HR Administration section at ABCSL. With the signing for this agreement, Accenture is responsible to proceed all the HR administration matters of the company. Accenture delivers these services from Colombo, Sri Lanka. According to that Accenture handle supportive services of ABC Apparels such as payments, financing, part of costing, basic recruitments, and preparation of cadre budget through them. Through this agreement ABC Company hopes to build a strong foundation for their future.

What theory says?

According to the theoretical aspect of change, this kind of a change can be known as trans-organizational change. Basically trans-organizational change refers to mergers, acquisition or joint venture. As an example HR department (administration, payroll, attendance) have been done through the Accenture Lanka and employees become employed in Accenture Lanka once they get outsource. Normal BPO is happen company culture, structure won't be changed. But when ABCSL outsourced its non-core activities to Accenture it changed the whole process of the organization. Then management of ABCSL can focus on their strategic goals.

Change 03: ERP System Implementation

M3 system is the tailor made ERP which has developed by ABCi3 for the group. This is a highly comprehensive system which includes one click info management facility. The owners and the top management of the business can download the expected financial and marketing data at any given time through the system.

The system undertakes entire activities from the order placement to shipment hence this requires a number of very critical data entry part. Below are some of the data that the system provides: Sales and Production capacity, Earnings of the company, costing of the company OTD (On Time Delivery) dash boards, Raw Material Write off details and the Cut ship reconciliation reports. The M3 implementation was one of the key milestones of ABCSL.

What theory says?

Organizations that undergo continuous change are argued to have the ability to change rapidly and continuously, especially by developing new core competencies to gain the sustainability. The phrase continuous change is used to group together organizational changes that tend to be ongoing, evolving, and cumulative. A common presumption is that, change is emergent, meaning that it is the realization of a new pattern of organizing in the absence of explicit prior intentions. From closer in, the view of organization associated with continuous change is built around recurrent interactions as the feedstock of organizing, authority tied to tasks rather than positions, shifts in authority as tasks shift, continuing development of response repertoires, systems that are self-organizing rather than fixed, ongoing redefinition of job descriptions, mindful construction of responses in the moment rather than mindless application of past responses embedded in routines and acceptance of change as a constant.

PLANS INTO ACTIONS

Introduction

This section clearly describes the management plan for care in terms of managing change, as well as the care which was actually provided.

Management and outcome

The effort of ABC Apparel Solution Limited is to improve the efficiency of the organizational process, employee attachment and contribute to the end Vision of the cluster. With the need of moving for a better change management ABC Apparel Solution Limited located several plants in the same premises to be vigilant on each by specific plant heads. This shows an incremental improvement in each plant with the thrive of gaining best for their own plants.

With the need, change management came in to play as a crucial factor. Every manager, executive and trainer wanted to make a difference at ABC Apparel Solution Limited. They focused on improvement of the process, employee morale, motivation and satisfaction as influential factors to achieve the vision of the cluster. The introduction of ERP system enabled an enhanced relationship and strength between departments.

Change in organizational structure made a huge impact to the organization. Earlier the cluster was operated as a divisional structure where they had a major concentration on each division. But this led to reduction of specialists in particular concern and led to more time consumption in vain once it come to decision making. With the introduction of functional structure particular units were able to hire vertical knowledgeable people and it led to organizational efficiency and effectiveness.

Management personalities in the cluster conglomerates and time to time review the progress of goal achievement in line to the cluster vision. With the needs of clients three separated plants are working for different targets focusing the quality and customer satisfaction. Hence, training programs for trainee machine operators and for other staff are done by the functional heads to meet the contingencies that the firm can be faced within any terms (i.e.: financial, demand, quality specifications).

Being in to the changes of the company, the need of changing the company name made main five companies to amalgamate as a one legal entity. With this change employees were begun to worry on job security. Hence, the management had to make the scenario warm down. It led to a decision of giving a letter to the employees making them aware on the purpose of the change. Moreover, HR department implemented employee awareness programs to handle this issue. ABC Apparel Solution Limited has also organized some press conference meetings with Medias in order to inform about this name change for the public. The management of the company simply spread the word among internal and external stakeholders about this name change to manage the negative contingencies which could occur due to the change.

As per mentioned in the section organizational structural change brought the issue of confusion with the employees to whom they are responsible to report and what are the job roles of them. Since the functions are centralized, it led to lack of independence in making decisions. Hence, the company decided to hire specialists who have vertical knowledge on the discipline and to carry on continuous training and development programs with emerging requirement. Through this the management expects to create a TQM culture in the company cluster.

With entering to the agreement of business process outsourcing with Accenture the company HR and administrated were shed apart. With the rise of the advantages that the company is benefited via this change, some issues were overgrown within the company. It led to a high initial cost, threat of security and confidentiality, and loss of managerial control. Hence to make the sections stable and not to disappoint with the issues flow in towards the employees who are currently in, the company struggled to balance the positive and negative repercussions. Though, the management was not firmed to come up with an exact solution for this.

Introduction of ERP system led to a highly comprehensive work system which includes one click info management facility and influencing the routing operations of all the employees. The main issue was the reluctance of accepting this change by most of the seniors. It brought many grievances in to the firm. To come up from these issues though the company management needs to focus on training programs the concern for the fact is not heavily considered. The management was managing to appoint several capable employees in this and frustrated with the issues that have been arose.

ABC Apparel Solutions Limited highly focuses on internal customer satisfaction in order to provide a better service to clients and to the firm. Management highly believes that a better change management can be done with the people adaptation to the culture and with the willingness to change. Therefore, the management tries to create a comfortable domain to the change where tangible resources can be productively utilized.

DISCUSSION OF CASE INSIGHTS

Introduction

This section provides an overview of the questions that the case raises pertaining to the changes executed and summarized the lesson learned from this case.

Change 01: Name change and the merger to ABC Casual Wear

According to the theoretical aspect of change, this kind of a change can be known as a step of the transformational change. Because, changing legal identity (Company name) of ABC Company led to change their company structure as well. Changing company structure can be considered as a transformational change.

Theories said that, with the combination of small changes leads to make big transformational change in the particular company. As well as through that kind of change entire company may be changed. With changing company legal identity, it is operated as one single company and establishes common strategies and policies based on their new cultural impact. Then in order to these new common strategies and policies company form a common structure. Hence, when we compare with theories this change can be considered as an initiative step of the company's transformational change.

Impact of the change

- **Reduce the customers' confusion**

Before ABC Apparels go through the amalgamation (name change), they were working as separate SBUs. Because of that sometimes customers were bit confused as having different SBUs under the same business. In order to avoid that confusion they amalgamated above five companies as ABC apparel solutions limited. As a result of this amalgamation these companies are now operating as a one company; a cluster. Now

they are operating as one company called as ABC Apparel Solutions Limited.

- **Reduce the structural complexities**

Before amalgamation of those ABC companies as ABC apparel solutions limited, they operated as separate legal entities. All of those companies had separate structures within their companies. Because of that there were some structural complexities were there, when they all are going to achieve a same vision and mission. As a result of this amalgamation of these five companies as ABC Apparel Solutions Limited, all these companies came into a one legal entity. Now all these five companies are operating as one structure within the ABC Apparel Solutions Limited.

- **Changing the employer**

As a result of this change it causes to change the employees' employer. For example, if a person was an employee of ABC Lingerie, his employer was ABC Lingerie apparel. But with this change occurs, all the employees consider as employees of ABCASL.

- **Less cost for legal requirement**

As a result of this amalgamation, now they operate as one legal entity. Because of that they have to bear less cost for any legal requirements than before.

- **Easiness for facing competition**

Before this amalgamation happens, all these companies faced separately with their competitors. So they had to face huge competition within the apparel industry. As a result of this amalgamation they have faced to synergy effect. Now they face business competition as one entity. So they can easily face to this competition.

- **Increasing the reputation**

Instead of having five separate companies, now they operate as one company. So, it is easier to increase their reputation all over the world as ABCASL.

- **Easiness for preparing financial statements**

Since now the ABC apparel is one legal entity, they prepare one financial statement for all those 5 companies. It causes to reduce the number of processes at the preparation of financial statements and it leads to reducing cost for preparation of financial statements. Instead of having 5 financial statements, now they can see a big picture in financial terms also.

Issues Associated with the Change

Once the ABC Apparels change their name as “ABC Apparel Solutions Limited” and came into one legal entity there were some rumors spreaded among the employees who worked in those companies whether the ownership of those companies change or not and they began to think about their job security. It was the main issue that the ABC faced when they changed their name and proceeded as a one legal entity. In order to aware the employees regarding this change, management decided to issue a letter for each employees mentioning about the facts related to the change. Moreover HR department has implemented some awareness programs in order to handle this issue. With the realization of that change now the employees are working with ABC Apparel Solutions Limited as usual in the past.

Change 02: Structural change from a divisional structure to a functional structure Impact to the organization

The change was taken place in the mid of 2013 and the organization was in a changeover process. The impact of change in the structure is felt by the employees after a while as the complexity of duties and reporting has become a routine task.

There are many impacts to the overall organization as a result of the change in the organizational structure.

The control process of the company has moved from SBU control to functional control. Hence the functions of the overall organization have got centralized for each and every function separately. There are centralized HR, IT, Finance and Supply chain & procurement and where the Directors are appointed under each centralized functions. For an example there is a centralized HR department where the HR directors are appointed and all the HR managers of the five companies have to report to the HR director.

There is a change in the job role of the employees where the employees now need to report for two superiors through functional and SBU. This dual reporting responsibility system led to a matrix structure where the complexities of the duties have featured. Since the functions are centralized and there are directors who have to report to the Group CEO, they have high authority to implement any decisions or initiatives. This has led to a situation where the centralization of authority. This has heavily impacted the independence of decision making. There is a tendency of less speed when taking decisions since the final authority has to be given by the director assigned for each function.

As the main objective of the change is to achieve the specialization in each and every area, the organization is experiencing the specialization and expertise emergence inside the organization. This is where the HR department plays an important role by recognizing the talented employees and providing them high level of training & development in order to enhance the effectiveness and improve the specialization.

The effectiveness and efficiencies of departments are showing a growing trend since the governance have changed and every department has its own goals and objectives and working towards reducing the wastages and improving the quality of work performed. This is where the directors ensuring the overall effectiveness of functions and reporting to the Group CEO quarterly.

There is an opportunity for every employee to undergo training and development programmes and which lead to a definite career development and climbing up the ladder.

Cost effectiveness and specialization – the organization is expecting to increase the specialization in each and every areas of the business and whereby to improve the cost effectiveness to ensure the control over the costs to maintain the competitiveness over the global rivals.

When discussing future impact of this change understood specialization is expected from all the areas of the organization, the company will be able to achieve the Total Quality of the production and other functions which may lead to zero defects and reduce the negative aspects of the functions drastically by the way of T & D and continues improvement.

As a result of functional structure, the employees will be able to gain expertise knowledge and experiences. Hence the company will be able to produce the best practices through the expertise employees gained and can generate the workforce of high level competency.

Staffers work with others in their field which allows for knowledge sharing and lateral job moves to learn new skills. All the persons working within a department are specialists of their respective jobs. It makes coordination easier at the departmental level. The organization should have common dash board or

specimen formats for report to avoid duplication of reporting the same info in the two different formats. There should be a process to reduce the dependability on centralized authority and independence throughout the SBUs to speed up the decision making.

Issues associated with the change

One of the main issues identified after the structural change is that employees are in a confusion mind, to whom they have to report and what the job roles of them are. As we discussed earlier, even though it is considered as functional structural change, as a whole it creates a matrix structure where the employees need to report to both functional and SBU superior in order to complete his duties. Therefore employees find themselves overload with jobs and they are frustrated with too much of duplication of work need to done routinely. For an example an employee supposed to prepare two reports which contain same information in different formats for different superiors.

Another main issue spotted during the changeover is the lack of independence in making decisions. Since the functions are centralized, SBUs finding by themselves difficult to take decisions quickly because they need to get the approval from central authority from related department.

The roles of the employees and responsibility have been increased after the implementation of new structural change. But the employees have not been motivated since they didn't get any modifications in the positions or pay scheme. There are also some issues with the expertise to integrate the specialization since the identification of training & development requirement has not been carried out completely. There is a room to occur inter departmental rivalry and lack of coordination, since the employees are separated by functions.

Change 03: Joint Venturing with BPO agent impact of Joint Venturing

There are many impacts as a result of joint venture the business process. ABC apparel has decided to outsource their business process from Accenture. From outsourcing, ABC apparel try to get advantages based on following reasons.

- **Reduced the cost**

This is the one of the main reasons of ABC for outsourcing business processes to the Accenture. By reducing cost ABC try to earn highest profit.

- **Improved the quality of products**

Accenture will bring its extensive global experience, proprietary assets, software and analytic capabilities, helping to create more efficient and cost effective business processes. This will enable ABC to focus on delivering a high quality product and service to their global customers.

- **Able to focus on core business activities**

Through outsourcing non-core business activities to the Accenture, Managers at the ABC make an effort to focus on core business activities of the company.

- **Access to State-of-the-Art Process and Technology Resources**

Working with the Accenture allows ABCASL to remain current in terms of technology and innovation without incurring high costs for software platforms or staff hiring and training.

- **Improvement in operational efficiency and effectiveness**

By outsourcing business process ABCASL can achieve operational efficiency and effectiveness. Through efficiency and effectiveness ultimately ABCASL tries to achieve highest profit.

When moving to future impact can understand that ABC will be able to focus on core business activities and eliminate non-core activities from the business. As such the top management can spend more time on corporate strategies and core activities in order to strengthen the competitiveness.

Some of the ABC employees have attached to Accenture and this has created a knowledge sharing center. Since some employees are fully associated with Accenture, they are aware of the knowledge of the functions they carry out through the job training and knowledge sharing. This will have a future knowledge inflow when those employees get return to the company.

Most of the HR administration staff like payroll, employee welfare activities will be moving to Accenture. For example if the ABC employees need a salary confirmation letter they have to request it from the Accenture.

Issues of Joint Venturing

- **High initial cost**

When outsourcing the Accenture, ABC must pay high initial cost to Accenture.

- **Threat to security and confidentiality**

The life-blood of any business is the information that keeps it running. Payroll, medical records or any other confidential information that will be transmitted to the Accenture, there is a risk that the confidentiality may be compromised.

- **Loss of managerial control**

When sign the contract with Accenture, some business activities are controlled by Accenture. Then ABC will loss of these activities.

Change 04: Implementation of the ERP System impact of the change

The impact of the new system implementation is very critical to the entire organization and it has influenced the routine operations of all the employees. The change has raised many issues and there were some conflicting issues also due to reluctance to change. There were grievances due to the introduction of new system and so that the new system requires much more data entry part to senior executive level employees, at that kind of Instances Company had to recruit new employees to the company as data entry operators to facilitate the new business requirement.

In the first month after the implementation, company incurred a massive downturn due to the new system, where the employees were not very much educated enough to handle the new system, the system was implemented within 10 months and it's quite a short time period for a change.

Most of the time HR has to handle the grievances occurred due to the new system based on the financial perspective. The system is very sophisticated and as a result the data entry part is very high.

Issues associated with the change

- **Increasing grievances**

Most of the grievances increased due to reluctance to change the mindset from the old system to the new system. This was critically highlighted when the work load increased due to additional work engaged with the system.

- **Lack of training and knowledge sharing**

M3 system implementation follows a radical approach to train the employees through the key users of the company, the key used licenses were very expensive and there are only few nominated key users, key users in the sense are the experts in the subject of the system. Most of the data entry operators are from ordinary level background and they took a significant time to understand the system

- **High speed implementation procedure practiced**

Top management pushed the development teams to implement the system in a much more speed due to the fact that information regarding business was very critical and the requirement of one source of truth was really important at that moment.

- **Increasing the capacity of employees**

With the implementation of the new system, the work capacity was significantly increased and some of the JDs were questioned and some JDs required redesigning. These actions are recommended to implement aligning with the change to sustain the advantages.

- [1] Effective communication regarding the change and the expectation of the change
- [2] Identify and expedite training needs associated with the system and provide appropriate training.
- [3] Going forward allowing a reasonable time to all levels of employees to fit in to the new system with more energy and flexibility.
- [4] Identify and redefine the JDs of employees to ensure accurate resource utilization is in place to cater to the business needs with the new system.

Conclusion

ABC - has gone through many radical changes through in a short period of time. The most significant change was the M₃ implementation which has created a significant impact on organizational performance. This is basically due to the availability of information has increased the decision making speed of the company and accuracy. But, the system has increased the grievances due reluctance to change.

Name change and the joint venturing are the other significant ABC group initiatives. The joint venturing has created more opportunities to ABCASL employees to get more exposure in a world class company, sharing and transferring knowledge and skills into the real workplace.

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ISBN 978-955-4563-33-9