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**ABSTRACT TITLE SOCIALLY ESTRUCTURAL CHANGE OF THE
COLOMBIAN CLOTHING INDUSTRY**

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SUMMARY

In Colombia, the greatest percentage of clothing companies are very small. A change in the structure of the industry arises. It could be done strengthening the middle that can be “world class” by using the production capacities of the small ones, having in mind to make the operations socially responsible.

Key Words

Clothing, Word Class, production capacities, socially responsible

DEVELOPMENT

The clothing and textiles chain in Colombia represents a 20% of the industrial employment and a 5% of the total Colombian exports, due to this it is considered strategic for the country economy

However, it challenges a lot of barriers like the lack of basic raw materials, low productivity, production of low value added and low capacity of production.

The world leader clothing companies, have a trend to the outsourcing working with satellite companies.

In Colombia the greatest percentage of clothing companies are small business (98.57%) with low capacity of production, due to this, a change inside the industry structure is proposed by strengthening the middle business that can become world class companies in order to make them using the capacity of production of small business (suppliers) and in this way to achieve an increase in their flexibility and capacity.

This speech intend to analyze the changes that the Colombian clothing companies must develop, having in mind the economic and social aspects in order to make the operation socially responsible.

The proposal is divided in three main topics:

1. Characteristics of a World Class company in the clothing sector
2. Requirements of the companies to their potential suppliers
3. Aspects to make an structural change in order to become the companies socially responsible.

1. Characteristics of a world class clothing company

According to the author of the book world class category manufacturing (Schomberger, 1986), this concept is defined as follows:

World Class manufacturing is having a capable and competent for supplying the necessary resources for the continuous and fast improvement of the quality in the products and processes and having a completely structured organization.

Knowing the customer and having a good relation with the suppliers, reducing mistakes in the production, rationalizing the investment in processes automatization and optimizing the productivity are factors which will permit reaching the excellence and good performance in the manufacturing of organizations in order to generate innovation, exceed the expectations

of the customers and overcome them in order to get the world class qualification inside the industry.

The world class manufacturing uses the development of suppliers as fundamental criteria because it is better to have partners rather than suppliers. The criteria can be to include good prices, on time delivering, service, etcetera. The most important aspect for selecting a good supplier is the capacity of its processes for accomplishing the specifications. It must be analyzed if it has statistics control and if the variables are inside the parameters.

World Class Manufacturing in Clothing

In order to analyze the characteristics of the system and the qualification and development of the suppliers in the fashion area, it was taken as object of studying the Spanish company Zara from the Inditex group. This was because it has been the company with the highest rate of growth in the world and because of its new and effective strategies with concrete results.

Inditex is a Spanish company dedicated to the clothing industry with a long time of being running and it has been profiled as one of the most competitive and famous companies in the world. Zara-Inditex is one of the most used brands worldwide. It is also unique in the list of the companies with the highest value. At the beginnings of 2012, the group had 5402 stores in 78 countries from four continents (Zara had 1603).

Commercial Strategy

One of the main strategies of Zara is to find out, interpret and satisfy the trends, demands and needs of the consumers. The success doesn't just come from the capacity of imagine creatively, but from the interpretation of the present trends of the collectivity and also from the capacity of materialize them in a few weeks.

Production

The plants don't produce totally, they are considered as part of the assembling chains because it is there where the industry cycle begins and finishes. There is an intermediate external production.

The Inditex process begins with the cutting of the fabric pieces with machines of high precision which have the supplying of the patterns from the creations of the designing net. The result of this is the sum of the pieces identified in position and size. It also has the complement of bottoms, zippers and other complements which are introduced in plastic bags in order to be sent to the workshops where the manual or mechanic needling of the clothes will be made.

The group maintains the variables around the 50% of its production costs. It is basically due to the externalization of the part that needs a major component of hand work, but also because of the fact that approximately the 85% of its offer is made or ordered along each season.

Logistics

Its logistics process is characterized by:

A system of distribution and sells highly automatized, which is based in a distribution center in various satellites. This logistic centers act as links between stores and industries permitting a fast flow of information. The running of a continuous system of orders and delivering of merchandise facilitates the work of a "Just in Time" system developed from a joint venture with the Toyota group. With this system the stores have a minimum merchandises stock, reducing by this way the inventory and warehousing costs. The orders to the logistic centers are made according to the evolution of the sells.

Handling of satellite suppliers in Inditex

Inditex manages a high quantity of satellite workshops because its plants don't produce the complete clothe. In the plants the industry cycle begins and finishes, delivering to the satellites the needling process. Inditex choose it satellites because of the quality of their products, presentation and capacity of production (speed and productivity) and the welfare of the employees.

The handling of satellites is essential, in a system which looks for responding to the tendencies of the consumers in the less possible time and brings a great flexibility

(because the handling of the orders is made in small lots). Besides, this workshops are beginning to be specialized in a determined clothe type and acquiring better quality.

This process need some established accomplish parameters like quality, times of delivering, flexibility, accomplishing. As important part of this process, Inditex determines its costs beginning from the possible final price of the clothes in the market and also applies the process backwards doing a quotation process between the different production plants, always seeking a competitive price.

2. Requirements of the companies to their potential suppliers

In order to make the Colombian companies become in world class, they must have a supplier development system which permit them identify, evaluate and develop small companies with experience in production and high standards in quality.

The following are the mains aspects to evaluate:

- Strategic Direction

The supplier companies must have clear strategic purposes and inside them give importance to the business that is proposed to them as suppliers, giving the needed percentage of its capacity of production for it.

- Transformation System

This system must have the capacity of production for each resource and specially to its human needling resource in which is based the quality and productivity of its final product.

That is why is important to measure the efficiency and quality standards for each worker member of the production area in order to reach the desired goals for the team.

It is very important the quality system in order to guarantee the requirements of the final customer , because the responsibility of the quality goes from the leader to the supplier, who must guarantee the accomplishing of the standards.

The supplier companies must be in the capacity of increasing the size of the order and accepting new orders from a same product. That is why they must manage a reserve of the production capacity

- Entrepreneurial formalization

All the companies which come inside the structuration process must be formally constituted and registered in the Chamber of Commerce, handle an official accounting, register of payments of welfare to their employees and pay all the taxes.

This is an important requirement to run the new structure because without this it cannot guarantee the real functioning of the system, finishing the informality.

3. Aspects to make the socially responsible structural change

The development of a leader company implies the important investment in its production and commercial system. This investment comes from the aspects needed to increase the capacity of designing of clothes like specialized designers, designing software or trips to important fashion events, optimizing the operative capacity to manage various supplier companies and its commercial and logistic capacity to aim its purposes to the export.

This demands an important financial capacity which expects a bigger earning at the moment of working with formats of low value added (like fashion production), but in the other hand it requires to have an economic capacity enough to support the export operations and the managing of many suppliers, which represent a major economic risk.

Besides this companies have a social responsibility to run the entrepreneurial structure and not committing the mistake of many production companies who have made their employees independent with the purpose of lowering costs and paying the social welfare. This mistake was supported in the Colombian law that create the associate work cooperatives, because some enterprises want to reduce labor costs doing the employees create cooperatives and work independent mode and don't pay social obligations (social security and others).

So it is proposed that part of the earnings which can obtain the leader companies are directed to the supplier companies in a better price paid by the final product, which permit a sustainable growth.

The supplier companies must maintain a competitive production in its production system for not diminishing the profit margin of the operation.

In order to determine the price that the leader company direct to the suppliers it is better to have the cost system used by Zara which beginning from the possible price for the final consumer and going backwards until calculating the adequate price to pay the supplier. The following aspects must be had in mind:

- The leader company assume the financial risks due to the high investment needed to produce in value added formats and in the high commercial costs which imply competing in the international marketing, which can be had in mind at the moment to calculate the real profit.
- By other side the supplier companies must continue working as independent companies in order to maintain de system of specialized production. This make that the supplier companies must assume the direct and indirect costs of production, including the payment of the social welfare and must have and acceptable profit margin and assuming the payment of taxes, looking for a sustainable growth.

In order to run the system all the actors involved must earn and stay in the market, that is why the suppliers must be seen as partners in order to get a complete development.

This is very important for the sector Textile - clothing that grow 13% and sells US\$8.000.000. in the last year.

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