EFFECT ON ORGANISATIONAL PERFORMANCE – A CASE STUDY ON ROLE OF FUNCTIONAL SYNERGIES IN HIMATSINGKA SEIDE LIMITED

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Abstract

This paper is aimed at determining the effectiveness of functional synergies within an organisation and its role in the organisation's performance .The objective of the paper is to examine approaches that support functional interdependency through a case study of Himatsingka Seide Ltd., one of the largest Home Textile Major with a global footprint. This case study also focusses on organisation's capability of resource optimization in searching, selecting and configuring resources to achieve organisation performance. On examining relevant issues of the company's core business process, the findings emphasized the ability to co-ordinate different functions according to the needs, is challenging but necessary in order to achieve high organisation performance. It also showed the significant role of IT in achieving functional synergies.

Keywords: *Organizational Performance, Functional Strategies, Information Technology, Business Integration.*

1. Introduction

Organisational capacity refers to the ability of an organisation to harness its internal and external resources to achieve its goals (Misener & Doherty, 2009). In this respect, internal resources relate to "all assets, capabilities, organisational processes, firm attributes, information, knowledge, etc. controlled by a firm that enables the firm to conceive and implement strategies that improve its efficiency and effectiveness" (Barney, 1991, p. 101).

It is found that resource optimization in a firm is contingent on the organisational interdependencies such that different interdependence types demand different coordination methods at the very least. It also shows the significant role of IT in business integration. With these capabilities, firms can experience growth and improve the quality of conformance to customer needs. (Felix Ter et all, 2014).

This also calls for tight coordination among discrete business activities which ultimately enables the firm to respond to pressing competitive forces (Markus, 2000). Interdependencies between front-end and back-end offices to achieve business integration and thereby enhance organisation's performance is an important capability needed for firms.

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Business integration is an important determinant of the business value and firm performance which enables a firm to respond to pressing competitive forces (Felix Ter et all,2014). It is still a persistent research topic. Due to its complex nature, the methods to achieve organisational performance are not clearly defined and hence the following study is an attempt to examine relevant components of business processes and its interdependence in the case study of Himatsingka Seide.

The method chosen is qualitative in nature and is a case research. We have identified the focal processes of Himatsingka Seide and discussed strategies with each process heads. The lessons learned are highlighted and inferred to draw conclusions

2. Case Description

The Himatsingka Group is a vertically integrated Home Textile major with a global footprint. The Group focuses on the manufacturing, retailing and distribution of Home Textile products. On the manufacturing front, the Group operates amongst the largest capacities in the world for producing upholstery fabrics, drapery fabrics and bed linen products. Spread across Asia, Europe and North America, its retail and wholesale distribution divisions carry some of the most prestigious brands in the Home Textile space and cater to Private Label programs of major retailers across these geographies. Founded in 1985, the Himatsingka Group focuses on design and product development, best-in-class manufacturing processes and efficient supply chain capabilities to ensure the highest level of customer service in the industry. With a team of over 5000 people, the Group continues to expand its reach and build capacities in the Home Textile space.As one of the largest composite silk mill and rated as the largest silk exporter in India, Himatsingka Seide has faced myriad of challenges during the early stages of growth especially in meeting the delivery timelines without compromising on quality and also being innovative in their design offerings.

Himatsingka Seide were exclusively weaving silks fabrics for American and European markets, and were getting premium prices for their products primarily because of their wide range of designs and textures. Himarsingka had stocking capability of around 2.5 lakhs metres of silk fabric at any given point. During the American recession of the year 2008 , demand price for silk had dropped from Rs.1500 per meter to Rs.1000 .The buyers wanted the same feel of silk but at 25% lower price. Subsequently this had cascading effect on production to manage the feel of the texture by weaving alternate warp of synthetic with weft of silk thus rendering the same look and feel as that of pure silk. Production got difficult and challenges loomed large. Although Himatsingka turned around from Rs.40 crores to Rs.120 crores in a span of one decade , the revenues remained at around 20cr.

3. Business Process in Himatsingka

The case identifies core functional divisions such as Production, Finance and Human Resource Management. Marketing functions which represents front end of business is exclusively run by the Managing Director of the company. This section highlights how strategies related to business integration influence organisational performance.

3.1 Production

According to the head of the plant, the production processes involves many stages. It starts from receipt of customer order which is in the form of a unique product code that gets fed into the planning system. Planning department enables production to establish a procuring system by estimating the yawn requirements, colour dyes and chemicals based on the design chosen by the customer. The design also determines kind and number of looms that are required. Customer timelines are scheduled and man power and man time are planned accordingly. Production takes over from the planning department through various stages like preparatory which involves winding, doubling, steaming and twisting, followed by dyeing, weighing and degumming. The AGM who is responsible for the overall supervision of the plant . sorts out issues in each process concerning man power, shifts, machinery and raw materials.The human resource departments plays role a critical role here to back up the labour force as and when required.

It is observed that company has been using information technology ever since its inception. Formerly ,the company was using business software package called Texpro to manage labour force, inventory and machineries. Texpro was used in forecasting stock requirements based on the past 10 years of procurement. Although it lacked accuracy , it served their basic purpose of inventory management. However after the implementation of SAP in August 2012, inventory management has been optimized with accuracy and effective monitoring in every stage of production. The outcome was a drastic reduction of inventory from three months stocking period to one month. It quickly led to JIT concept which could not have been possible without functional backup from Finance department in providing analysis of stock movement and stock positon. The company is certified under ISO 9001 and ISO 14000 environment act.

Another strategy devised by one of the senior management was the "Theory of Constraints". Earlier when the company was using Texpro software package also they were having problem of not meeting the customer delivery schedules .Such cases were traced back to locate the problem ,stage by stage, using color codes . However to achieve business integration , with the help of SAP , a strategy called Theory of Constraints was devised.This theory talks about understanding the problems and tracing back to the root cause of the problem using color coding for based on the intensity of the problem . For example, red (problematic but can be addressed by specific date), green (solved ready to go) and black (bad problem). A mandate was given to all the departments that they can be managed with any color but not have black at any point of time. If any department had black ,then the plant head will involve to address the issue.. Once again this strategy fetched results only because of the strong functional synergy backed by SAP.

3.2 Finance

Finance is an another important function which was earlier focussing on only accounting, wages, payroll, ESI on behalf of the HR in addition to some statutories. Finance department was also involved in account payables to the respective vendors. With the implementation of complete SAP FICO, the Finance function got completely integrated in every stage of the business process . Thus reports of the

production processes were available to the Finance department enabling them in analysing the gains and losses in each stage and being able to discuss with operational , tactical and strategic managers. . On every transaction in production, finance is now responsible in keeping track of inventories. Evaluating or categorising inventories based on the customer purchase order received, aging of stock, location, stock recovery issues, inputs on the opening stock and closing stocks. This input is considered by the managerial and strategic level of each functional organisation for reducing the loss and maximum profits.Finance also regularly interacts with the human resource management for resource optimization so that every human resource works efficiently and contribute effectively for the organizational performance.

3.3 Human Resource Management

The strategy developed by Human Resource Management department is "Talent Pipeline Management" which has enabled the organization to dissolve the threat of an Union. It also leads in building and developing the required talent pool as ongoing process. This strategy is directed to employee only women between the age group of 18 to 25 years and also supplements production during the times of the crisis.

Other programs that were implemented are "Vocational Training Programme" and "Voluntary Separation Scheme". The former enables employment of rural boys to be appropriately trained for required skills. The latter scheme helps in the mutual benefit of the employee and employer in moving out of the organisation when being under perfomed. The Human Resource function through these programmes have been able to compliment the organisational performance in terms of resource optimization.

3.4 Role of Managing Director in Functional Synergy:

Front end operations constitutes of Design and Marketing. Managing director himself holds this valuable responsibility of interacting with international customers for their growing business requirements. Design being their unique selling point, marketing is supported by their own Design Studio which creates innovative designs on a sample strip called blanket. This blankets constitutes strips of Motifs which are designed through the CAD.

4. Lesson Learnt

Our case study with the Himatsingka shows that organisational performance is largely dependent on functional synergies and resource optimization. In this section the following are discussed.Firstly it found that resource optimization in a firm is contingent on the organisational interdependencies that arrives from collaborative approach. The case study also shows that all the three functional departments co-ordinate with same mechanism to satisfy the interdependent relationships though they are different. Secondly this case highlights the role of Information Technology in achieving the business integration. Production Crisis, Delivery mandates are well handled with this combination of Information Technology backed interdependence functions. Introduction of SAP has reduced the distances between functions and maintained a smooth processing transactions

5. Conclusion

1. Tight coordination among the discrete business activities and efficient functional synergies among the Human Resource, Production and Finance has enabled the firm to respond to the growing competition and still retain the market leadership.

2. Organisational performance has seen steady growth on an average of 15% to 20% due to successful business integration.

3. SAP business software package helped them to have strong business integration so that company could achieve quality, delivery timelines and also could help them to devise business strategy – Theory of Constraints

4. SAP business integration also helped finance department to work on the building and analysis of cost centres in every process.

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