INTRODUCTION OF THE STUDY

1.1 Background:

Manufacturing has been recognized as the main engine for growth of the industrial economy (Skinner, 1969; Hayes & Wheelwright, 1979; Pisano and Shih, 2009). It has been estimated that in order to achieve a GDP growth rate of 9% per annum, the manufacturing sector has to grow at 12% per annum (MSME Report on Lean Competitiveness, 2010). To achieve sustained growth rate, the manufacturing sector needs to build and maintain competitiveness needed to face the challenges posed by globalization. The high performance of Japanese Manufacturing firms in the 1970s when entire world was passing through lean phase due to energy crisis inspired western countries to change their manufacturing process. Japanese manufacturing practices were known for their operational effectiveness (Porter, 1991). They pioneered in terms of world class quality products at lowest possible cost by improving delivery and flexibility. Initially, it was believed that the success was credited because of diverse factors such as Japanese culture and work ethics, Just-in-time production and adoption of total quality management principles, however, it has been established that Japanese practices are imitable and has been successfully replicated by European and American counterparts (Porter, 1991). The Japanese automaker, Toyota has been credited for their revolutionary practices which was recognized in the early 1990s as famous “Lean” practice by American scholars working at MIT, Institute of Motor Vehicle in the form of book titled “The Machine that changed the world”. It has been also recognized by other scholars worldwide because of its simplicity and applicability.

1.2 Problem Statement

This study arises from the need to study the lean manufacturing practices of manufacturing firms in India which is now competing with the world’s manufacturing firms. The rapid growth of manufacturing firms in India, increase in environmental variability and degree of competition, acute shortage of labour, technology, quality product and ever increasing expectation of Indian customers has triggered the war among Indian manufacturing which is competing with the world’s
manufacturing firms and contributing to the Indian economy in double digit and have been growing consistently at double digit rate to compete with world top giants firms in terms of quality and cost which will lead to customer satisfaction which will be clearly reflected in terms of higher market share and higher profitability by adoption of learn manufacturing practices.

1.3 Need for Research:

This study addresses the general question, “Do lean manufacturing management practices improve financial performance?” This question subsumes several preliminary questions concerning what types and implementation levels of practices constitute “lean practice” and financial performance. As mentioned earlier, this study views lean as a synergistic set of mutually supportive and integrated management practices. The research confirms and measures the relative composition of the lean practice set by identifying lean and non-lean archetypes within a well-defined sample frame of manufacturing companies. Specifically, this research examines whether lean practices as a set, or as a individual, or as a specific lean practices— as reflected in survey data—are related to two levels of sustained financial performance i.e., operations and the business level. At the operations level, data is used to assess performance by measuring the performance of asset and employee productivity, gross profit margin, and total cycle time. The study tests several research propositions to systematically analyze the question of whether lean practices affect financial performance. These propositions are structured by articulating the problem as a need to understand the dyadic relationships between three ideas: lean practice, operations financial performance, and business financial performance

1.4 Overview of the study:

This study focuses on Indian manufacturing sector. The justifications are based on the significant contribution made by this sector to the nation’s economy in terms of gross domestic products (GDP) and employment in India. HRM practices are limited to practices that are prevalent in Indian manufacturing firms while the contingencies to HRM practices-performance relationship are limited to business strategy and environmental uncertainty only. This research and its findings are considered important to provide insight into the various lean manufacturing practices needed to successfully perform in the manufacturing sector in India. In terms of theoretical significance, this study proposes to fill the gap in the body of knowledge in the practices of lean manufacturing practices in Indian manufacturing firms by addressing these issues.
1. Investigating the role of lean manufacturing practices and its role associated with firm performance, namely profitability, growth, market share, ROI and employee turnover.

2. Whether this practice of lean manufacturing of removing waste of any form has any relationship with the firm performance.

3. To find its level of acceptability of this practice by Indian firms and its employees. Relevant to the issues above, this study intends to generate a new framework for further research pertaining to lean manufacturing practices and firm performance relationships. From a practical perspective, the findings of this study will be useful to Indian manufacturing firms in order to improve the firm’s