FINDINGS AND RECOMMENDATIONS

To move forward in a continuously evolving global market, without compromising on what sets it apart is the pressing need for modern Indian textile production. Due to the pressures to compete on price and quantity, existing companies may rush into blind automation discarding the older less industrialized processes which have enabled an industry to survive for many decades. There is nothing more damaging to this industry than mass production. Though it may ensure earnings, it will be faced with increasing competition from other regions which aim to compete on the same characteristics. The challenge is to enable a fusion, where cultural diversity and regional strengths, fuse with trend and market knowledge to produce unique and creative products.

The individual case analysis, the cross case analysis, radar charts and the descriptive survey were structured around the same research questions, though the results of each methodology was analysed separately. The meta-inferences attempted to merge or combine findings side by side, to enable a better examination of the propositions. The findings of each will be discussed separately.

“The wealth of Indian textiles lies in its history and continuing ability to create fabrics which seduce the customer.”(Thorn, 2005, p: 37)
9.1 Findings from Individual Case Analysis

Emergent themes that were revealed in all three cases were:

1. **Decreasing Vertical Linkages**: The vertical linkages within the cluster, with other chain participants were decreasing. The strength of the industry had been its ability to shore up production by carrying it out in different batches or at different locations, using the inherent weaving capabilities and tiered work management practices that principally involved the weavers societies of the Kannur region. This was not a recent practice, but one borne out of years of familiarity, and generations of subcontract-like work arrangements, often with individuals and families situated near entrepreneurial businesses that later became the bigger business houses during the heyday of Kannur handlooms- the ‘crepe’ era and later, in less prosperous times, got organized into societies, still maintaining this working relationship with the export factories and benefiting from the strength of ties between the cluster participants. This was, without doubt, the strength of the region. This ability to break up the order into smaller lots, that then got carried out at a home run or society run establishment, brought in unique advantages to the export firms.

2. **Locally Sourced Weaver Skills**: The high variety of orders, the number of buyers that could be serviced, the different and variable sizes of production lots, the detail in weaves and design that could be taken up by one society or even, one individual weaver, in his home, the daily or weekly handover of work done- in short- this has been responsible for the reputation that the export firms have built up in home textiles, over decades.

3. **Weaver Occupations Dissipating**: The indigenous and protracted processing of yarn, and the inbuilt learning of each task in the handloom weaving process, done painstakingly, and with attention to detail- is a learning that comes from the weaving ancestry – the Saliyas, and inculcated through the rigour and precise learning passed down from the Basel fathers- this rare combination is in
danger of being lost, as more weavers migrate to other trades, due to insufficient returns from the extremely labour intensive and exacting process of handloom weaving using all the senses- and combinations of hand and leg movements in succession, in tandem and in precedence.

4. **Loss of Regional Benefits**: The export factories and manufacturing establishments- primarily about which this study is about- have not let this affect their incomes, as many processes, like fabric dyeing, powerloom weaving for better cost management, special treatments to fabrics and the provision of item specific accessories, labels and packing has been taken up by other textile oriented regions. Karur, Tirupur, Salem, Erode and Coimbatore were most often mentioned as being surrogate production centers for specific processes or needs. What is lost however, is to the region and to the state as a whole.

5. **Benefits Percolating Down the Value Chain**: A most promising aspect has been the manner in which the societies in Kannur have evolved. From being passive receivers of orders from large firms, they have in the present time become strongly market oriented and revitalized. Three societies in Kannur have directly exported, while more than a few are engaged in indirect exports even now. This is with firms in Kannur, but mostly with firms outside of the state, located most often in Bangalore, Delhi and Mumbai- big business houses which source from cooperatives. Interviews revealed cutting edge employment of design software, intensive market promotion through national and international fairs, drives towards new product development in local or domestic sales through fairs, and heightened domestic sales and turnover. The societies had ventured into their own made up manufacture, utilizing the ‘kudumbasree’ or SHG (Self help group) model of women run enterprises, had entered into branded (for the domestic market) cotton and mixed fiber based menswear, were active in the women’s apparel (churidhar material) market due to the high popularity of
cotton fabric, and were even upgrading into product categories as diverse as lap top bags, files, ladies handbags and suitcases. This was done besides being well established in the traditional home textile and product categories like bed and bath, kitchen, table and upholstery categories. Is this a testimony to the effects of innovation, learning by doing, continuously weaving world class designs for generations, or is a combination of all this? In their own right they are on the road to export marketing and on this upgrading path, high road growth is enabled it must be said that it is their own linkages up the chain that has made this possible.

6. **Need for Within Cluster Trust:** It is important to recognize the contribution of the state and central government schemes in this regard. The center’s continuous and substantial support of the handloom industry is already vastly documented. Though not without minor problems, a slew of schemes ranging from the DDHPY (Deen Dayal Hathyaar Prothsahan Yojana) to the IHDS (Integrated Handloom Development Scheme) have been engines of progress, among the handloom based establishments in Kannur. But what they would truly benefit from is a handholding or industrial support program of the home textile export community for learning, execution of specific processes, market entry opportunities or a combined market presence at fairs. The advantage here is that the region would benefit, and the industry would grow because of the healthy rivalry and learning that takes place between industry partners.

7. **Increasing Governance Through Standards Adoption:** The heightened interest in pro-labour work structures or in organizations that are strong on worker support and welfare, as well as on the feminization of work force is fast becoming the norm among industries today. Strong customization and individualized service provision in consumer based business platforms, like kiosks, touch screens, ICT based purchase and order management, RFID and ecolabeling- these are all going to be needed especially in mass required
products for the individual. These two trends will go side by side, so a pro-labour or worker supportive industry with strong norms to aid worker welfare will reap gains and become easily certifiable as per the quality standards and norms evolving through the role of internationally accepted or enforceable rules, practices and product and process parameters. This is a reality that developing country firms must live with. The standards will evolve, they will constantly demand more enforcement and they will be more often than not be monitored by independent firms or watchdog organizations, so it is necessary to keep up with this.

8. **Effect of Recession:** Macro economic effects have taken a toll on the industry especially from the end of 2007, in the form of decreased consumer spending, curbs on housing loans, decreased home textile off take, weather extremities and extremely slow recovery from recession but a number of schemes like extension of the TUF scheme, ban on cotton exports when the price of cotton yarn became unmanageable, and mitigating the effects of currency fluctuations was taken up by the Centre.

9. **Government Sponsored Value Enhancement:** To overcome worldwide effects of unstable economic climates, a positive move towards enhancing the returns of indigenous industry, trades or products through the use of ‘labels’ authenticating originality of products, like the Handloom mark, Silk Mark for silk products and the GI status (Geographical Indication) status for local or regionally limited production of traditional or indigenous goods is seen in India. Kannur received GI Status for the production of home textiles, furnishings and made ups in October, 2010, and the industry hopes to reap gains from this label.

9.2 **Findings from Cross Case Analysis and Radar Charts**

1. **High Investment in Supplier Capabilities:** Investment in supplier capabilities is high: the cases revealed that buyers spent considerable time and effort on
supplier premises in a cyclical manner, that was seasonal. It was directed by the selling season and was an intensive information sharing and design development exercise, which was never one sided. It was a high risk exercise considering that the products were highly fashion oriented and elastic in demand, and commanded all the capabilities of supplier firms, including their sourcing abilities, the execution of specific processes for each item (made up), that was labour intensive, process intensive, or both. It was a difficult exercise, but it was done, and it was done successfully by firms in Kannur, as seen in the length of buyer relationships, the number of buyers per firm (fifteen to twenty buyers), the increasing difficulty levels incorporated in these products and the product specificity, which was always increasing.

2. **Increasing Complexity of Buyer Orders**: Increasing complexity of processes and products is seen. From furnishing rolls, to room based items, to location specific items and to very specific items like mobiles (hanging toys), buntings and nettings - the list is endless. What is clear is that buyers rely on supplier capabilities, demand increasing sourcing and processing skills for home textiles and are confident of the supplier meeting these needs. They go so far as to insist on logistic tasks being taken up by supplier, and demand induced weekly supply agreements being taken up - a staggered production process.

3. **Information Transfer Codified and Simplified**: Increased codification of design and information is being done through the intensive use of ICT. The use of independent standards and firm based or regional parameters is increasing. This helps decrease the costs involved in product monitoring. Buyers are hardly getting involved in monitoring standards, relying on testing laboratories and independent organizations to do this.

4. **Non Tangible Attributes Emphasized**: Radar charts revealed buyers valued non tangible success factors - reliability in delivery, compliances with
quality standards, sampling and innovative design and surprisingly, valued the handloom origin of fabric far more than their producers did.

9.3 Recommendations

In most network based value chains, the aim of buying firms is to get their products made according to specifications, which may be more or less detailed, with minimal effort. The ability of producer firms should be to be able to produce customized products for buyers and to use flexible machinery to pool capacity for different customers. It means different processes may or may not be incorporated in the final product according to the need of the buyers. Modular networks are a facet of the value chain predominant here. They are largely network based and quasi hierarchical to a lesser extent, but will benefit the most if the competencies are complementary between buyer and seller. Manufacturing export firms would do well to take up the following recommendations:

1. **Develop New Dynamic Capabilities**: Rents are dynamic and change according to the barriers of entry that prevent other firms from entering similar spheres of production. As more firms take up similar production of goods, their attractiveness to buyers diminish. As resource based rents diminish, the organization of work, technology and human resources should be channelized into taking up more processes. They should be able to source more activities or value enhancing methods- ‘turnkey’ activities that can be incorporated as and when buyer requires, in individual products, according to the order. In other words, increase modularity of the value chain.

2. **Strong Relational Rents to Enable Functional and Value Chain Upgrading**: Even more relevant were the endogenous or chain based sources of rent or relational rents that had enabled the development of a network based typology, and bordering on a modular production network, due to the highly specific and variable end products, and the gamut of processes that they needed to go through. It can be said that despite shortfalls in technology or
lack of scale, the regular buyers of these firms did not shift their orders to other firms in Karur, or Panipat, nor did they attempt to lower price and increase output. A strong personal relationship appears to drive firm actions and these links with buyers should be utilized to enter into new value chains, like domestic retail establishments, given that India is a booming market. Many foreign retail chains are hungering to establish themselves in India, and strategic alliances with suppliers within the country would give them a strong edge in market penetration.

3. **Decrease Costs Through Codification**: though firms had long term relationships with their buyer, this was changing as buyers were becoming more insistent on their suppliers’ ability to incorporate product and process standards, regional governance, undergo unannounced third party inspections and checking and still come out with no violations of standards or parameters, all without any monetary or cost support from the buyers. Though incorporating standards was costly and certification difficult to initiate, once carried out, they would reduce transaction specific costs as much information will be codified and transmitted efficiently.

4. **Increase Capability of Suppliers**: Suppliers in Kannur must increase their acceptance to their preferred retailer segment: individual stores or better quality and price based retailers, by increasing their sourcing capabilities. The multiplicity of processes taken up at the supplier side should be enhanced by keeping the size of their operations small, and the combination of their processing, both within the factory and in association with second tier manufactures, assemblers, stitching units, tassel or embroidery units etc, should remain small scale and highly variant. Two advantages that arise from this. The first is increased value addition of specific products as each of these activities are combined, merged, done in stages or at once. The value enhancement goes up. The second is it takes advantage of the structure of the Indian textile industry. As this is already oriented along the
small scale and tiny enterprise model, benefits go down, perhaps even to individual homes, and not as an exploitative measure, but with monetary benefits as well.

5. **Emphasise Within Cluster Second tier Linkages**: the role of the individual weavers or family run enterprise, as well as the cooperative societies, represent social benefits, and labour orientation. Powerloom units in the region have also played a huge role in enhancing profitability when handloom weaving became too costly. This pro-labour stance marketed well, can be a draw to international buying houses and retailers who emphasis CSR based goals.

6. **Intensive Industry Specific Benefits Required at State or District Governance Level**: The poor off take or recognition of exogenous rents, related to the infrastructure development, financial support or cluster or region based benefits was a worrying aspect that was depleting the sources of rent and making it difficult for firms to enhance their capabilities and establish themselves in the face of increasing competition from other clusters of home textiles like Panipat and Karur.

7. **Strong Relational Rents Up the Chain Enable High Road Growth**: In the home textile value chain of Kannur, though not large in terms of scale of production or earnings of foreign exchange are able to protect themselves from competition by carrying out intensive product development, strengthening innovative capabilities and maintaining strong relations with buyers and intermediaries up the chain. They have been able to consolidate these relationships through years of doing business. Often, in many firms it is the second or third generation of entrepreneurs that run the business. This relationship must be utilized for ODM (own design development) and at a later stage, brand development, that is aided by the better branding and marketing possibilities of foreign buyers.
8. **Build on Credence Benefits in Products:** Credence good attributes, that can only be experienced, after consumption of the product and which are incorporated into products by activities in the processing and cannot be recognized in the product after that is increasingly becoming the norm in trade. Firms should recognize what attributes qualify as such in their product classes and ensure the changes to be made in their factory, work or staff organization facilitate the adoption of these attributes.

9. **Trust Based Governance Maintained Down the Chain:** High trust is maintained in their relations with buyers. They have created a set of rents in concert with their secondary suppliers down the chain as well, that has enabled the creation of specific capabilities. The ability to foster and operate networks and organizational work management systems that facilitate the logistics, quality management, design and marketing needs has been provided to buyers though the socially embedded networks of cooperative societies, individual weavers and power looms within Kannur. They have worked on gaining production efficiencies through job works or alliances with power loom producers often in competing and out of state clusters of industries dealing in similar product classes. The benefit of scale in activities like dyeing and printing, lamination or other finishes is provided by these firms which usually cater to high volume export requirement. These linkages have significantly improved the competitive advantages of the Kannur based firms but have increased their execution costs due to increased transport cost, milk runs, firm staff personally ensuring quality by travelling back and forth etc.

10. **Increasing Horizontal Policies in Region:** Though decreasing returns are not seen from the case study data or survey, the benefits to the region are decreasing as more activities need to be carried out in other areas, or states. The placement of support industries within Kannur has been almost nil. Though the yarn sourcing and dyes and chemicals are obtained from stockists within the district, other support industries – providing accessory
sourcing, packing materials, special treatments to fabric, larger scaled industries for dyeing, have never been established in the district. The few that were established at a much earlier time were not sufficiently tuned to the contemporary market needs. This had made firms change their existing networks, and initiate sourcing policies usually with firms in other states. Strong horizontal policies specific to home textile industry is called for in the region.

11. **Increase Policy Action Specific to the Industry And the Region**: The high trust network effects can be sustained only if policy rents for learning, monitoring and managing are enhanced. Innovation is enabled through the use of information and institutions that enable this learning. Steps towards the development of institutions and organizations that enhance the maintenance of such sources of rent have already begun. Kannur as a region already has a number of state and central government institutions working towards the skill development of the home textile industry. But how much of this is directed towards specific enhancement of the sources of rent that act as drivers to the home textiles industry? By providing knowledge gains, increasing designer skills through training and teaching institutes, decreasing the supply chain related bottlenecks pertaining to the region or by the development of an industry with a regional presence to enable lobbying at an international or regional level. This is especially relevant in the context of growing importance of standards and parameter enforcement and developing country producers.

9.4 **Conclusion**

According to Altenburg, (2004), Policy makers increasingly acknowledge the need for close co-operation with strategic actors on the demand side, e.g. private retail or brand name companies which hold the key to market access. To make the most of such cooperation it is important to gain a thorough
understanding of the system and of the way firms are participating in international value chains and production systems.

Through this study it is hoped that an understanding of the value chain linkages and the factors influencing them have been understood, with the scope of being applied to other textile or apparel clusters in the region.

9.5 **Scope for further Research**

1. The use of the value chain framework can be enhanced by considering to what extent cluster related benefits enhance value chain linkages. A number of studies have examined how local clusters have been incorporated into global value chains. This can be studied by comparing two or more T & C clusters and by examining whether their cluster related aspects support or enhance value chain linkages.

2. A different examination of the economic geography of trade can be carried out by comparing the value chain approach with that of embedded networks, to examine which can better explain the nature of relationships between buyers and sellers.

3. Examining how government policy action has stepped up upgrading in firms and documenting the processes by which this has been enabled over a longitudinal time frame of a decade or two is beneficial to understand what activities have actually yielded results, and what has not.

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