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Attrition at SILVER SPARK APPAREL LTD.

Professor Shiji Lyndon and S. Venkatesh wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In early April 2015, Srinivasa Rao Venkatesh, head of human resources (HR) and administration at Silver Spark Apparel Ltd. (SSAL), along with his team, was gearing up for the nationwide Great Place to Work award competition. Venkatesh reflected back to June 27, 2014—the day when the Raymond Group cheered and celebrated as he, along with the vice-president, Ashish Grover, and the head of merchandising and marketing, Vishal Bist, received fourth place in manufacturing and production among “India’s Best Companies to Work For 2014.” This award was an honour indeed, coming from the Great Place to Work Institute and *The Economic Times* and recognizing the best employee engagement practices among 700 companies in India. Venkatesh and his team were appreciated for their efforts in bringing home such glory.

By 2015, the SSAL team would yet again participate in the Great Place to Work competition. However, this time around, Venkatesh felt slightly apprehensive due to the perennial problem of the attrition of operators.[[1]](#footnote-1)

The magnitude of the attrition rate in the garment industry was so great that companies did not recruit—they “mobilized.” This change in terminology alone gave insight into the large number of employees involved. The attrition data had always been very disturbing to Venkatesh, but too significant to ignore. The number of operators that had exited SSAL from 2012 to 2015 was approximately equal to the number that had joined (see Exhibit 1).

Since Venkatesh joined SSAL in September 2012, all possible HR interventions had been initiated and implemented. Grover gave Venkatesh the freedom to innovate and provided him with some strategic insights to control attrition. The strengthening of employee engagement initiatives was one such tool that had been employed to combat attrition at SSAL, and although these efforts had resulted in a spot among India’s Best Companies to Work For in 2014, managing attrition seemed to be a formidable task.

the raymond group: A BRIEF OVERVIEW

The Raymond Group was incorporated in 1925 by Shri Lala [Kailashpat Singhania](http://en.wikipedia.org/w/index.php?title=Kailashpat_Singhania&action=edit&redlink=1). Within a few years of its establishment, the company had transformed into a global conglomerate.

In 1959, The Raymond Group was the first in India to introduce a polyester wool blend to create the world’s finest suit fabric—Super 250s—made from superfine 11.4-micron wool. The Raymond Group had a product range of nearly 20,000 varieties of worsted suiting and catered to customers across a range of age groups and for different occasions and styles. In 1986, Raymond’s first ready-to-wear brand—Park Avenue—made its entry into the market, followed by Parx in 1998.

After leaving its mark in textiles, Raymond entered the garment segment with several highly successful ventures, such as the Raymond Limited Suit Plant at Gauribidanur (now Silver Spark Apparel Ltd.), Everblue Apparel Ltd. (jeans), and Celebrations Apparel Ltd. (shirts).

The Raymond Group had also established a widespread retail presence through its exclusive chain called The Raymond Shop and with its standalone brand stores. It owned over 1,000 retail stores, 750 of which operated under The Raymond Shop name. These stores were spread across India and overseas, in over 200 cities. The Raymond Group also introduced a retail initiative called “Made to Measure,” where customers could order customized suits that were stitched at a centralized, state-of-the-art facility in Bangalore. An early understanding that apparel was one of the fastest-growing spaces in e-commerce led The Raymond Group to create its own e-tailing website, RaymondNext.com.

In 2000, Gautam Singhania took over as the chairman and managing director of The Raymond Group. He fuelled the company’s retail and ready-made business further, especially in men’s corporate and designer wear. Soon, it became clear that Singhania had entered the right industry at the right time. While, in the 1990s, the market comprised 30 per cent ready-made garments and 70 per cent fabrics, by 2010, that situation was reversed.

The women’s segment represented the biggest business pool in ready-made apparel. The Raymond Group entered this market segment with two of its brands, Park Avenue and ColorPlus and, in doing so, positioned itself as the largest vertically and horizontally integrated maker of worsted suiting fabric.

SILVER SPARK APPAREL LIMITED

SSAL, a wholly owned subsidiary of Raymond Ltd., was established in 2004, with the objective of entering the global apparel outsourcing market. SSAL manufactured suits and formal trousers, primarily for export purposes.

SSAL, with its state-of-the-art manufacturing facilities, was located near Bangalore, a major metropolitan area in India. It produced 0.4 million suits and jackets and two million trousers annually. SSAL was set up at a total project cost of ₹630 million,[[2]](#footnote-2) with a built-up area of 200,000 square feet. The plant’s innate strength lay in the high-calibre expertise used in the manufacturing of jackets, which put it at par with highly rated jackets from Italy and Japan.

Although SSAL was prospering in terms of its market presence, one of the major challenges that SSAL was facing was a shortage of talent. For SSAL, the retention and attraction of operators was a matter of grave concern. In an industry that heavily hinged on HR for its skilled operations, this issue was all the more important. On average, the monthly attrition rate for workers in the garment industry was around 10 per cent.[[3]](#footnote-3) However, attrition was location-specific and driven by the availability of opportunities. Hence, in locations where there were options there was considerable employee turnover. Controlling for location issues, the attrition rate of SSAL was approximately the same as the industry average (see Exhibit 2).

It was around this time and amidst all these challenges that Venkatesh joined SSAL as the head of HR and administration in 2012. Before long, the retention of operators became one of the crucial issues that Venkatesh took up in his portfolio. By then, attrition had become the firm’s crucial weak point.

In 2012, SSAL had an average budgeted strength of 1,990 operators and a total administrative staff of 269. In this industry in general and in SSAL in particular, women outnumbered men. There were 1,797 female and 170 male operators. In 2012, the average attrition of operators was around 167 workers per month. Venkatesh had two tasks: first, to limit attrition, and second, to devise innovative ways to attract operators to SSAL.

Equipped with strategic inputs and absolute empowerment from Grover, Venkatesh decided to combat employee attrition using a gamut of employee engagement initiatives.

Pre-Employment Induction

Venkatesh realized that as a company with a benevolent management philosophy, The Raymond Group already practised several employee-friendly policies. However, the operators, many of whom were totally illiterate, could not fully comprehend the kind of benefits that they and their families could enjoy. From October 2012 onwards, one of the first initiatives started by Venkatesh was to organize a pre-employment induction meeting that involved a multilingual presentation and a multilingual question session in Kannada, Telugu, Hindi, and English. Venkatesh led the induction session personally, providing a detailed overview of the firm’s service conditions. Female welfare officers were also part of this interaction.

During the session, complete information was provided about salaries and allowances, benefits, bonuses, overtime, incentives, the provident fund, employee state insurance, safety and the usage of personal protective equipment, personal health and hygiene, engagement activities, celebrations, standing orders, labour welfare funds, transportation, security, automatic teller machine card usage, the crèche, the occupational health centre and canteen service, birthdays, Women’s Day, Traditional Day, Annual Day, New Year’s Day celebrations, parental visits to the factory, and summer camp for the children of operators. During the pre-employment induction, they were also educated on the circumstances of the company and told about the fact that this was perhaps the only company in the area that paid salaries consistently on the third of every month. A free pre-employment medical examination and dental check-up was organized.

Continuous assistance for new employees was provided by way of interventions called “Nanna Sahodari” (“My Sister”). Under this scheme, a partner was attached to each new entrant, who would not only help them on the shop floor but also create awareness about the necessity of long-term employment and the benefits of various social security legislations such as the provident fund, pensions, bonuses, and gratuities.

Health and Safety

Most of SSAL’s operators came from rural areas of Karnataka that did not have sufficient access to medical facilities. Thus, in order to attract and retain operators, the services of full-time medical officers, including qualified female doctors, were made available on the premises to address all medical issues, both preventive and curative. Various programs, such as eye check-up camps and awareness sessions, were held on an ongoing basis. Qualified doctors at SSAL’s healthcare centre also conducted awareness programs on health and hygiene for expectant mothers and first-time mothers. Special programs for pregnant women—antenatal care, monthly check-ups, and follow-ups apart from emergencies—were also organized. Pregnant female employees were provided with medicines and milk, free of cost, to prevent malnutrition during the gestation period.

Health and hygiene classes and awareness programs that focused on female workers were held regularly by the trained healthcare providers. A good number of the operators in SSAL consumed tobacco. To create awareness, “Tobacco Is Injurious to Health” was printed bilingually on pay-slips so the operators were warned about this social evil on a regular basis.

Crèche

It was understood that many women did not join or did not continue with SSAL because of the difficulty of balancing work and raising infants. Thus, awareness of the availability of the company-run crèche (a child-care centre) was promoted for female workers so they could bring their small children (between three months to three years of age) to work and leave them under the care of Montessori-trained teachers and support staff for the entire workday. Children were taught using the Montessori methodology, a body of knowledge suited to their age. Children’s play areas were developed for their recreation. Lactating mothers were permitted to breastfeed their children in the crèche at required intervals. In addition to periodical medical check-ups, the company arranged for regular follow-up on children’s vaccination schedules.

The staff held regular birthday celebrations for children in the crèche in order to make them feel important. The children were also given an opportunity to showcase their talent in the company’s Annual Day celebrations, thereby boosting their morale and self-esteem, as well as making their parents feel proud.

Banking Facility

Operators at SSAL were from the lower strata of Indian society and thus were financially vulnerable. To empower the operators financially, the company operated an intra-plant banking support system, where employees were introduced to the banking habit of thrift and savings by means of the creation of bank accounts, along with the issuing of debit cards. This facility also made women financially independent. Further, automatic teller machines were installed on the factory premises.

Celebrations

SSAL encouraged the culture of companywide celebrations as a way to create a bond among the operators. To that end, the company celebrated its operators’ birthdays with great gusto, while acknowledging the birthdays of children in the crèche with birthday cake and gifts. Special celebrations for Children’s Day were held on November 14 each year. SSAL also started celebrating Women’s Day to show appreciation to the company’s female operators. In April 2014, the company organized a summer camp for 850 children of SSAL operators.

Communication

SSAL acknowledged that communication was the key to connecting with its employees. Therefore, the company created various platforms to facilitate and sustain open communication between managers and operators. Heads of functions and departments regularly interacted with shop-floor workers regarding production targets and their progress. Managers shared information on key policy issues with the employees on the shop floor. For example, an increase in wages that was implemented on April 1, 2014, was communicated to all operators in their respective mother tongues (Kannada, Telugu, Bengali, or Hindi) on the shop floor by the general manager and by the head of HR, in partnership with line managers.

Next came the most important cog in the communication wheel: listening. Raymond made active listening an integral part of its communication initiative. SSAL organized dedicated HR champions for this purpose—employees who were deployed on the shop floor and who interacted with the operators in order to obtain feedback. These “listeners” acted as counsellors to shop-floor employees.

The HR champions were always available on the production floor to address, provide counsel on, or escalate various HR-related issues that required attention. The company held monthly meetings of the Works Committee, Canteen Committee, Health and Safety Committee, Welfare and Grievances Committee, Complaints Committee, and Crèche Committee in order to solicit genuine feedback.

Grievance Handling

SSAL initiated a program called “HR at Your Doorstep,” which entailed the placing of the aforementioned HR champions on the production floor and training them to follow the LURE (Listen, Understand, Respond, and Escalate) policy. To address any grievances that might arise, SSAL’s HR department instituted a grievance redressal policy and procedure, as well as a policy to prevent discrimination in the workplace. Similarly, policies on the prevention of harassment or abuse and the resulting disciplinary practices, as well as policies on the prevention of sexual harassment in the workplace, were put in place to promote trust among the staff members.

Recognition

SSAL fostered a variety of reward and recognition practices in the workplace. Several thoughtful gestures were carried out in order to thank and recognize employees who had contributed significantly. SSAL adhered to the “praise in public” approach, lauding the recipients in the presence of all their teammates for their contributions and performance. The company gave out plenty of awards and incentives—productivity incentives, and best-performance awards—to outstanding operators, team leaders, and staff members on a monthly basis. Those who performed overtime on a voluntary basis were given dedicated transportation (i.e., the company arranged shuttle vehicles to drive employees back to their homes) and free food, in addition to double-time pay and other benefits.

When SSAL won the Raymond Award for Excellence, the award money was distributed among all the employees. In all of these ways, the company clearly demonstrated its desire to practise a corporate culture of inclusiveness.

Learning and Development

SSAL used a dedicated team to facilitate in-house training (technical and soft skills) with a dedicated infrastructure; its purpose was to “upskill” employees. A very senior expert in technical and soft skills was engaged on an ongoing basis. Three dedicated HR champions were also designated line-wise or department-wise on the shop floor to create awareness around the use of personal protective equipment and also about the health and safety of employees. Based on the learning from this training program, it was possible to upgrade the new employees from a D grade to a D+ within a period of three months and to give them a corresponding salary increase.

Beyond Work

SSAL provided transportation service to its employees at highly subsidized rates; it charged only 17 per cent of the actual cost to workers. Another benefit of this initiative was that it reduced employees’ travel time by almost 75 per cent, thereby ensuring a healthy work–life balance for the operators. This initiative cost the company close to ₹18,000,000 per annum—an amount that SSAL absorbed most willingly.

In the case of the loss of a family breadwinner, other family members were offered suitable employment at SSAL. The company-sponsored group personal accident policy provided ₹5,000 per week for up to 108 weeks as a benefit to those employees who were forced to stay home because of an accident.

To instill a feeling of involvement, SSAL invited the family members of its employees to visit the workplace and encouraged them to interact with officials of the company.

Rewards and Transparency

SSAL paid best-in-industry remuneration to its operators. In April 2014, when the state government of Karnataka increased the minimum wage for workers, a section of the industry challenged the decision and obtained an interim arrangement that enabled the employers to restructure their salaries and save some money. However, SSAL made a conscious decision not to challenge the revision, choosing instead to pay the increased wages. This decision increased the company’s wage bill by about ₹36,000,000 per annum, and legal experts and employees viewed this approach as very fair and absolutely employee-centric.

As a career path to motivate operators, the company enacted a grade-change policy. According to the policy, based on their experience, job knowledge, and skills, 5 per cent of operators were upgraded once every quarter. Additionally, 1 per cent of operators were brought within the purview of the grade-change policy every month. Exceptional operators were promoted as team leaders and given a supervisory or managerial role. All eligible employees were given an equal opportunity to take a skill test, followed by a personal interview. Successful candidates were promoted to a supervisory role. In effect, this policy meant that all those who joined as operators could aspire to become staff administrators.

Moreover, the company paid an annual bonus of ₹8,400 per operator for the year 2014, as against the statutory limit of ₹3,500. A simple worker-centric attendance bonus scheme of ₹500 per month was paid to every worker who achieved a perfect attendance record of 25.5 days per month out of a possible 26 working days. A unique group-productivity incentive program allowed operators to earn up to ₹2,500 under the program as a motivational intervention. Leave encashment was calculated on gross salaries for operators in order to maximize their benefit.

Employee Referral Scheme

Despite all these measures taken by SSAL, the company frequently experienced a need for more operators. To that end, SSAL launched a marketing blitz under the referral program and rebranded it as the “Each One, Bring One” scheme. Under this program, operators were encouraged to refer people from their village, community, or network to join SSAL. Between April 2013 and April 2015, as many as 73 per cent of the new workers were employed through this employee-referral scheme (see Exhibit 3), which, in turn, delivered an immense sense of corporate contribution and ownership in the minds of the employees. Additionally, the recruitment program helped the existing employees earn good remuneration since they could potentially earn a reward from ₹750 to ₹1,300 on a month-to-month basis for referring new employees to the company. The operators with the most referrals were recognized through the awarding of special prizes, with the added benefit that they could literally choose their workplace colleagues.

Company Dormitory

Located just a five-minute walk from the factory, an exclusive dormitory for housing the mainly female workers was sourced through initiatives such as the Raymond Tailoring Centre[[4]](#footnote-4) in Patna and partners like Gram Tarang Employability Training Services[[5]](#footnote-5) and Upasana Education Trust.[[6]](#footnote-6) This housing facility ensured that, in addition to employment, socially marginalized groups from other places, such as Bihar, Rayagada, and Odisha, were all given much-needed accommodation. The numbers mobilized in 2014 rose to more than 120 women. Similarly, about 20 rooms were taken up to accommodate 100 men who had been mobilized through these programs.

CURRENT CHALLENGE: HOW TO STEM THE ADVANCEMENT OF ATTRITION

The journey that Venkatesh had begun in October 2012 was turning out to be as challenging as it was interesting. His employee engagement initiatives were bearing fruit, and prestigious awards, like being chosen as one of “India’s Best Companies to Work For,” were proving to be fulfilling, both at the institutional and individual levels. While the external recognition and internal support was satisfying, the trends of the monthly attrition reports of the past few months of 2015 (see Exhibit 2) continued to disturb Venkatesh. Barring the rare month of February 2015, which saw an excess of 18 operators, the months of January, March, and April reported an average shortage of operators of 57—Venkatesh’s employee engagement initiatives notwithstanding.

During his 2.5-year tenure at SSAL, Venkatesh had realized that the socioeconomic condition of the operators was one of the prime reasons behind the problem of attrition. In the past, many women had cited family issues as a reason for quitting, and more often than not, the husbands of these female operators were unemployed and indulged in various vices. Mostly, it was the men in the families who did not allow the women to continue with their employment. While former female workers cited things like marriage and consequent relocation and family constraints as reasons for leaving SSAL, there was no way to verify these reasons empirically; such data was sporadic and not systemic. The female workers would simply stop coming to the factory. Connecting online was hardly an option either since these women were not available through LinkedIn, email, SMS, or Facebook. Telephone calls and home visits did not yield results. Venkatesh was losing his patience. Finally, he found himself faced with three options.

First, Venkatesh wondered whether SSAL should partner with a non-government organization to reach out to the families of its operators. Perhaps it could provide some employment to the men in the families too, as a way to strengthen SSAL’s association with its operators.

A second alternative would be to establish stronger collaboration with the Raymond Tailoring Centre. The centre was equipped with the latest machinery and the necessary infrastructure to enable youth to receive intensive training on tailoring by specialists. SSAL had occasionally collaborated with the Raymond Training Academy in Patna and had recruited operators through it, but the numbers were negligible. Still, most of the operators who had joined SSAL through the Raymond Training Academy tended to stay at SSAL longer because they had relocated from other parts of the country to Karnataka. Furthermore, their absenteeism was low because they stayed in the dormitory, which was located on the company premises. Venkatesh wondered whether SSAL should focus on recruiting workers from Raymond Training Centres rather than from the nearby localities. He was certain this change in soliciting new employees would ensure higher retention. However, there would be other challenges involved in that approach, such as building additional dormitories.

The third alternative sought to determine whether any physically challenged segments of society could be engaged so they could be upskilled, empowered, and brought into the mainstream. Apart from possibly resolving the problem of mobilization, this alternative would definitely enhance SSAL’s social credibility. However, it would also involve a high cost in terms of training and creating suitable infrastructure, both in the factory and in the dormitory.

For Venkatesh and his team, it had become glaringly evident that they would have to identify a well-defined strategy to ensure that the company’s talent-mobilization issue ceased to affect its manufacturing processes. In search of that result, endless questions ran through Venkatesh’s mind.

How could the firm ensure a continuous supply chain of talent to meet the requirements of this labour-intensive industry? What additional pools of HR could be accessed in order to sustain a skilled supply of talented workers and to ensure that SSAL’s employees reaped the benefits of longer tenures of association? How could the company cope with the managerial challenge of generating empirical data on the reasons for its high rates of attrition? How could it reduce attrition? Since labour-intensive manufacturing simply could not sustain itself in the face of endlessly uncertain employee turnover, what contingency plans could be drawn up?

In addition to seeking ways to resolve SSAL’s problem with employee attrition, Venkatesh also needed to strategize on ways to maintain the current level of employee engagement in a bid to sustain SSAL’s 2015 reputation as a “Great Place to Work.”

EXHIBIT 1: MOBILIZATION VersuS ATTRITION

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Average Budgeted Strength** | **Numbers Recruited** | **Numbers Exited** |
| 2012 | 1,990 | 2,035 | 2,014 |
| 2013 | 2,045 | 2,174 | 2,098 |
| 2014 | 2,146 | 2,627 | 2,966 |
| 2015 | 2,261 | 792 | 1,182 |

Source: Company files.

EXHIBIT 2: Attrition Data For silver spark apparel limited, 2015

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Date** | **Total Budgeted Strength with 8 Per Cent** | **Current Strength** | **Shortage or Excess** | **Total Joining** | **Total Exited** | **Attrition Percentage** |
| January 2015 | 2,312 | 2,253 | 59 | 145 | 272 | 12.1 |
| February 2015 | 2,249 | 2,267 | 18 | 169 | 214 | 9.4 |
| March 2015 | 2,249 | 2,179 | ˗70 | 127 | 259 | 11.9 |
| April 2015 | 2,249 | 2,208 | -41 | 245 | 268 | 12.1 |

Source: Company files.

**EXHIBIT 3: EMPLOYEE REFERRAL PROGRAM,**

**CONSOLIDATED REFERRAL SCHEME REPORT**s **FROM APRIL 2013 TO APRIL 2015**

|  |  |  |  |
| --- | --- | --- | --- |
| **Month** | **Total Joining in Month** | **Employee Referrals** | |
| **In Numbers** | **In Percentage** |
| Apr. 2013 | 213 | 176 | 83 |
| May 2013 | 226 | 198 | 88 |
| June 2013 | 198 | 158 | 80 |
| July 2013 | 249 | 156 | 63 |
| Aug. 2013 | 184 | 142 | 77 |
| Sep. 2013 | 141 | 107 | 76 |
| Oct. 2013 | 108 | 84 | 78 |
| Nov. 2013 | 147 | 116 | 79 |
| Dec. 2013 | 112 | 93 | 83 |
| Jan. 2014 | 114 | 99 | 87 |
| Feb. 2014 | 136 | 98 | 72 |
| Mar. 2014 | 218 | 122 | 56 |
| Apr. 2014 | 252 | 175 | 69 |
| May 2014 | 223 | 163 | 73 |
| June 2014 | 322 | 255 | 79 |
| July 2014 | 224 | 167 | 75 |
| Aug. 2014 | 276 | 185 | 67 |
| Sep. 2014 | 301 | 227 | 75 |
| Oct. 2014 | 346 | 179 | 52 |
| Nov. 2014 | 156 | 107 | 69 |
| Dec. 2014 | 159 | 108 | 68 |
| Jan. 2015 | 149 | 110 | 74 |
| Feb. 2015 | 170 | 143 | 84 |
| Mar. 2015 | 128 | 102 | 80 |
| Apr. 2015 | 246 | 200 | 81 |
| **Total** | **4,998** | **3,670** | **73** |

Source: Company files.

1. In the garment industry, workers were called operators. [↑](#footnote-ref-1)
2. ₹ = INR = Indian rupee; all currency amounts are in ₹ unless otherwise specified; US$1 = ₹63 in April 2015. [↑](#footnote-ref-2)
3. Anindya Biswas, “How Skills Training Could Patch the Holes in India’s Garment Industry,” *The Huffington Post*, July 28, 2015, accessed November 25, 2016, www.huffingtonpost.in/anindya-biswas/how-skills-training-could-patch-the-holes-in-indias-garment-ind. [↑](#footnote-ref-3)
4. Raymond Tailoring Centre was a unique initiative of Raymond Ltd., seeking to train unemployed youths and underprivileged people in the art and science of tailoring. [↑](#footnote-ref-4)
5. Gram Tarang Employability Training Services was a social entrepreneurial initiative in skill training. It focused on developing technical and soft skills in underdeveloped regions in India. [↑](#footnote-ref-5)
6. Upasana Education Trust was non-governmental organization that aimed to provide cost-effective technologies and skills training to youth in villages and slums across India. [↑](#footnote-ref-6)