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9B17M091

CO-OPTEX: REINVENTING ITSELF

Tulsi Jayakumar wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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On August 7, 2015, T. N. Venkatesh, an Indian bureaucrat and managing director of the Tamil Nadu Handloom Weavers’ Co-operative Society Ltd. (Co-optex) prepared for an important event. The society was a handloom marketing co-operative in the state of Tamil Nadu. One of Co-optex’s products—a soft and shiny silk called *venpattu* (“butter silk”), woven by weavers in the Salem district of Tamil Nadu—was to be awarded the first India Handloom Brand Certificate by the prime minister of India on the occasion of the first National Handloom Day.[[1]](#endnote-1) The certificate, awarded to the best handloom products in India, was a validation of Venkatesh’s efforts to revive Co-optex, which had accumulated significant losses for almost 13 years until 2013. Co-optex had achieved sales worth U.S.$50.14 million[[2]](#endnote-2) in fiscal year (FY) 2014–15. This was a 54.8 per cent increase in rupee terms compared to sales in FY 2010–11[[3]](#endnote-3) and was also much higher than those of any of the other top state handloom co-operatives in India.[[4]](#endnote-4) However, much as it seemed to herald the beginning of a new dawn, Venkatesh was worried.

The handloom category of textiles continued to experience serious challenges from both the demand and supply sides. On the demand side, problems pertaining to the poor brand image of handloom products included the decline in the popularity of saris[[5]](#endnote-5)—the main product of Co-optex—among young Indian women who preferred Western or other Indian wear; the emergence of e-commerce portals that sold textiles and niche garments, including saris; the existence in metropolitan areas of brick-and-mortar competitors such as large retail stores that offered one-stop solutions for all varieties of textiles, especially saris; and the higher relative prices of handloom products compared to those created on power looms. On the supply side, there were issues pertaining to a lack of available skilled weavers, poor motivation, and a lack of interest in innovation among existing workers.

Co-optex’s organizational culture was essentially that of a public-sector organization; it was marked by bureaucracy and inflexibility. The organization’s profits in FY 2014–15 had declined by 77 per cent compared to the previous year. Did these financial indicators hide a greater story of decline? How could Co-optex stem the decline and reinvent itself so as to stay ahead of the competition and remain relevant in the context of the changing profile of Indian customers?

**THE INDIAN HANDLOOM TEXTILE SECTOR**

The handloom sector in India was an important constituent of the Indian textile industry, which comprised two broad segments. The large, unorganized handloom sector, which consisted of handloom fabrics, handicrafts, and sericulture (silk farming), involved small-scale operations and used traditional tools and methods. The organized textile sector, on the other hand, consisted of spinning, apparel, and garments segment, which applied modern machinery and were based on economies of scale. The annual report of the Ministry of Textiles attested to the significance of India’s handloom sector:

The industry was the second largest employer after agriculture, employing over 45 million workers directly and 60 million indirectly. In 2014–15, the $100 billion textile industry contributed approximately 5 per cent to India’s Gross Domestic Product (GDP), and 14 per cent to the overall Index of Industrial Production (IIP).[[6]](#endnote-6)

India, with overall textile exports of US$40 billion, ranked as the second-largest exporter of textiles in the world in FY 2014–15.[[7]](#endnote-7) The industry had a 12 per cent compound annual growth rate (CAGR) in domestic sales and was expected to reach a production level of $250 billion by FY 2022–25 for the domestic market. Similarly, with a 15 per cent CAGR in exports, India was expected to export about $185 billion worth of textiles and apparel by FY 2024–25, thereby doubling its share of the global textile and apparel trade from the 5 per cent it held in FY 2015–16.[[8]](#endnote-8)

India accounted for 95 percent of the world’s handwoven fabric in 2015,[[9]](#endnote-9) and the handloom sector accounted for nearly 15 per cent of the cloth production in the country and also contributed to the country’s export earnings. The handloom sector was not capital-intensive, used minimal power, was eco-friendly, and allowed for small-scale production. It was based crucially on the transfer of skills from one generation to another, since certain weaves and designs were beyond the scope of modern machines.

In FY 2009–10, 4.33 million workers were engaged in weaving and allied activities (down from 6.55 million in FY 1995–96). Of these, 3.63 million were located in rural areas and 0.69 million in urban areas; they used 2.37 million looms, of which 2.06 million were in rural areas and 0.31 million in urban areas.[[10]](#endnote-10) The handloom sector provided employment to the weak and vulnerable sections of the society. Of the 3.84 million adult weavers and allied workers, 77 per cent were women and 73 per cent belonged to economically and socially deprived castes. Weavers each worked an average of 234 days per year.[[11]](#endnote-11)

The production and export of handlooms (in dollar terms) had stagnated between FY 2008–09 and FY 2014–15 although the rupee value of exports had increased (see Exhibit 1). In 2015, trends in the handloom sector included value addition, improvement in the quality of handloom products, increased adoption of other full-time professions by weavers, export by many special-purpose vehicles and self-help groups, and the entry of several high-end retailers into the sector.[[12]](#endnote-12) The sector enjoyed the support of the government of India, in the form of both input and marketing support.

The Indian handloom sector’s strengths included versatility, wide variety, and a diverse design base. Indian weavers, who were highly skilled and had been trained in the craft through generations, were capable of switching over to new designs and of producing unique weaves that could not be produced by power looms.[[13]](#endnote-13) The low technology, low power intensity, and eco-friendly processes of the sector conformed with India’s resource availability. At the same time, the sector faced challenges, including lower productivity compared to the power-loom and mill sectors; the shifting of skilled labour to other sectors; and a reluctance on the part of the younger generation to adopt weaving professionally. Both low wages and tough working conditions had resulted in a sharp decline in the number of handloom weavers. The sector also faced challenges related to limited technological upgrades and improvements and serious constraints on the availability of credit.[[14]](#endnote-14)

CO-OPTEX History and Organization

The Tamil Nadu Handloom Weavers’ Co-operative Society Ltd. (Co-optex) was established in 1935. Its logo—the multi-hued butterfly—was well recognized in India and was synonymous with quality, durability, and fair trade. Co-optex aimed to organize production and promote the handloom industry in Tamil Nadu, thereby creating continuous employment opportunities for the handloom weavers in the state. By 2015, Co-optex had expanded its network to 200 showrooms spread all over India, with an annual turnover of $50.14 million. More than 0.27 million of the 0.4 million handlooms in the state were under the co-operative’s fold. The state’s weavers were organized through 1,354 handloom weavers’ co-operative societies. Since these societies were scattered and unable to market their handloom products individually, Co-optex acted as the state-level marketing co-operative. In this role, it provided marketing support to weavers’ societies by marketing procured handloom products through a network of outlets within and outside of Tamil Nadu. It provided input support to these societies by procuring yarn from 14 state-level co-operative spinning mills and the National Handlooms Development Corporation Ltd. (NHDC). It also provided technical and financial help to weavers.

Co-optex marketed its handloom products through its retail showrooms, which were grouped under 11 regional offices and located all over the country. The regional offices controlled the day-to-day administrative activities of the respective showrooms, including selling handloom products directly to end-users; providing bulk supplies to government departments, schools, colleges and other organizations; and conducting exhibitions and sales in the main cities. The government, through various welfare schemes, provided an important captive business worth $1.96 million to about $2 million to Co-optex every year. These welfare schemes included the supply of saris and dhothis[[15]](#endnote-15) under the government’s public distribution system, the free distribution of school uniforms under noon meal schemes, the supply of saris and dhothis to pensioners, and the supply of cloth to Sri Lankan refugees.

Co-optex was operated by a managing director, who was from the Indian Administrative Services (IAS).[[16]](#endnote-16) This person was appointed by the government, was answerable to the government of the state, and acted according to the directions received from the state government (see Exhibit 2).

**THE RESTRUCTURING EXERCISE**

Co-optex experienced losses and a decline in sales beginning in FY 2000–01 (see Exhibit 3). The co-operative undertook an internal root-cause analysis and determined that its problems were weaknesses in marketing activity, procurement that was not in tune with market needs, a lack of control in production and marketing, a lack of availability of skilled workers, and over-dependence on bulk orders from the government. Consequently, it embarked on a restructuring exercise in 2002, with the objective of wiping out the accumulated losses and making its operations profitable over a five-year period. Such restructuring was expected to benefit the members of the handloom co-operative societies, support those dependent on allied activities, preserve handlooms—which were considered a part of the rich heritage of the state and the country—and increase export earnings. As part of the restructuring exercise, Co-optex embarked on various short-term and medium-term measures in 2002.

Collection of Credit Sales Balances

As of March 31, 2002, Co-optex had outstanding balances of approximately $14.55 million on credit sales it had made to employees of various government departments and agencies, banks, and colleges. Co-optex organized a campaign to collect these balances throughout the state to realize the outstanding amounts.

Closure of Uneconomic Showrooms

In 2002, Co-optex had 268 showrooms, many in prime areas in various Indian cities; 196 of these showrooms showed no profits. Co-optex decided to close down showrooms that showed dismal performance, including some of its prime properties. However, this was managed without laying off staff. A voluntary retirement scheme was offered, and 500 employees accepted this. The surplus staff members were transferred to vacant positions arising either out of natural retirements or the retirement scheme. At the same time, the organization introduced incentive schemes to motivate and improve the performance of sales staff and officers at various levels.

Tie-Ins with Fashion Schools and Specialist Organizations

Co-optex worked with prestigious fashion and design schools in India—the National Institute of Fashion Technology (NIFT) and the National Institute of Design—to introduce new designs for cotton and silk saris. It also experimented with customization through an “order your design sari” scheme at one of its showrooms in Chennai. Co-optex reworked its product mix strategy following demand forecasting and scientific product development and diversification. Such product development and diversification initiatives were undertaken separately for the domestic market and for export markets.

Establishment of Computer-Aided Design Centres

With a view to generate new designs, Co-optex initiated two computer-aided design centres in Tamil Nadu. It sought the help of NIFT and the Weavers Service Centre to train its design staff in computer-aided designs. Further, with a view to upgrading the technological and weaving skills of women weavers, Co-optex initiated training programs on weaving, designing, and dyeing for about 1,000 women weavers, in batches of 50.

New Showrooms

Co-optex, which had been limited to the southern part of India, expanded its showrooms to other Indian states, chiefly in northern and central India, as part of the restructuring exercise in 2002. After the government of Tamil Nadu permitted co-operative power-loom weavers’ societies to become Co-optex members, Co-optex set up a showroom to market power-loom fabrics in 2002. Power-loom production was an important area of diversification for Co-optex, since it helped these weavers boost their institutional sales through their cost competitiveness.

Reduction in Expenditures on Discounts, Commissions, and Interest Charges

As part of the restructuring exercise, Co-optex sought to reduce expenditures on discounts, commissions, and interest charges by $2.1 million by adopting measures including effective inventory control, prudent product indenting, procurement of products that aligned with customers’ tastes, effective transfer of surplus stocks from the excess to the deficit showrooms, effective stock maintenance, and stock handling at counters and warehouses.

The restructuring exercise bore fruit. In FY 2005–06, Co-optex was able to achieve both positive sales of $95.37 million and profits of $0.48 million. However, its accumulated losses, which had reached a peak of $19.03 million in FY 2004–05, remained worrisome even though they were declining. In FY 2011–12, the co-operative experienced a sharp decline in profits—to $1.1 million from $6.5 million in the previous year. In 2013, with sales of $44.97 million and profits of $2.61 million—better than any other state handloom co-operative society in India—Co-optex was declared the number 1 apex handloom co-operative society in the country (see Exhibit 4). However, profits again dipped by 77 per cent in FY 2014–15, creating the spectre of another period of financial decline and erosion of net worth.

**THE TURNAROUND STRATEGY**

Venkatesh decided to understand the problems Co-optex faced in depth before working out a strategy to turn the co-operative around. He went back to a study that Co-optex had commissioned in 2011 to identify the key problems. On the basis of the study and by talking to weavers directly, Venkatesh identified the problems faced by handlooms on both the demand and supply side.

Through the *Handlooms (Reservation of Articles for Production) Act, 1985*, the government had prevented power-loom weavers from weaving or copying the designs of 22 handloom items, including cotton, silk, and blended saris; dhotis; lungis; bedsheets; bedcovers; and furnishings.[[17]](#endnote-17) However, lax regulatory norms meant that power-loom weavers regularly imitated the designs of handloom products and produced such products much more cheaply and quickly. Thus, for instance, a handloom weaver spent a minimum of four to five days weaving a sari, for which he was paid ₹300–₹500 ($5–$8). A power-loom weaver, on the other hand, could weave a maximum of four to five saris per day if faced with no power cuts. Such a weaver was paid ₹5–₹10 ($0.08–$0.16) per metre on average. Thus, weaving four to five saris per day, each measuring six metres in length, a weaver could expect to earn anywhere between ₹3,600 and ₹9,000 ($57–$144) per month, as opposed to the maximum earning potential of ₹1,800–₹3,000 ($29–$48) per month for a handloom sari weaver. Further, whereas handloom weaving was a labour-intensive activity that required skills during both the weaving and post-weaving stages, power-loom weaving required little to no skill. To add to the handloom weavers’ woes, in 2015, the government was under intense lobbying from the power-loom sector and was contemplating repealing the 1985 act.[[18]](#endnote-18)

The differences in production manifested themselves in pricing differences between handloom and power-loom saris. While handloom saris sold at ₹2,000 ($32.70) each, power-loom saris sold at a fraction of the price—only ₹300 ($5.00)—to price-sensitive customers. Power-loom saris that copied the designs of handloom products could be sold at a fraction of the price of the original handloom work, and buyers were tricked into buying them since they so closely resembled handwoven work.

Over time, in order to compete with the large-scale power looms, handloom weavers had turned away from producing high-quality cloth to create lower-quality products using substandard raw materials, and they sold these products at low prices. This created further problems, since buyers began to perceive of handloom work as poor-quality products that bled colour and shrunk on washing.

Venkatesh was also aware of the decline in the popularity of saris—Co-optex’s main product—among young Indian women. Young women in metropolitan areas, smaller towns, and cities—including in south India—increasingly preferred Western wear.[[19]](#endnote-19) It was estimated that one impact of globalization had been a decline in the ratio of traditional Indian wear to Western wear from 70:30 to 50:50, and this proportion was expected to decline further, to 30:70 or even lower.[[20]](#endnote-20)

Meanwhile, the sari was being revived by several Indian designers and large retail stores across India.[[21]](#endnote-21) South India, in particular, saw a proliferation of several large retail players who offered one-stop solutions for all varieties of textiles, especially saris.[[22]](#endnote-22) These players had showrooms in various metropolitan areas in India and around the world. Moreover, almost all of these players had established online shopping portals. One such player was the heritage brand Nalli, which was established in 1928 and was reputed for its handwoven silk saris. Run by 32-year-old Lavanya Nalli, the company had annual revenues of more than $100 million in FY 2015–16 and had 29 stores across India and outlets in California and Singapore. In response to the changing tastes of Indian women, Nalli had introduced new product lines and offered online shopping.[[23]](#endnote-23)

The Co-optex study, carried out by design and business experts, had identified the current target market and the ambience of existing showrooms as key issues. Co-optex showrooms were dull places with poor lighting and décor. Moreover, the age group of the co-operative’s main customers had remained stagnant for too long. As Venkatesh noted, “If your customers are all 60 year olds, then it’s going to be hard to survive. You need to capture the 30-somethings.”[[24]](#endnote-24) This was particularly true since India was becoming younger, with the median age of the population estimated to be 27.[[25]](#endnote-25) Venkatesh also spent time understanding the profile of weavers and their lack of interest and motivation in pursuing weaving as an occupation (see Exhibit 5).

He knew that, while the organization’s financial indicators had dipped, there could be several causes for organizational failure, or an “existence-threatening decline”[[26]](#endnote-26) in performance, and that this could be sudden or gradual. Such a failure could be caused by “internal action/inaction or by external circumstances and failure to change.”[[27]](#endnote-27) Its symptoms could include not only financial indicators such as “falling profits and market shares, increasing debt burdens, failed attempts to raise finance and increasing financial competition,” but also physical indicators such as product failures or supply problems, managerial symptoms such as lack of leadership and poor decision making, and behavioural symptoms such as poor organizational culture and attitudes.[[28]](#endnote-28) Turnaround strategies to deal with such organizational failures typically revolved around the “three Rs”: replacement or reorganization, repositioning, and retrenchment (see Exhibit 6).

As a leader, Venkatesh knew that he would need to go beyond smart financial and strategic decision making. He would also need to focus on organizational transformation. Co-optex, like most public-sector organizations, was characterized by a hierarchical culture with a bureaucracy and relatively inflexible formal rules and procedures that acted as control mechanisms. Such an organizational culture would need to give way to a group culture based on personal ties, loyalty, tradition, cohesion, morale, and equity.[[29]](#endnote-29) He recalled a passage from an article he had read on turnaround leadership by Rosabeth Moss Kanter:

In the end, the only way a CEO can reverse a corporate decline is to change the momentum and empower people anew, replacing secrecy and denial with dialogue, blame and scorn with respect, avoidance and turf protection with collaboration, and passivity and helplessness with initiative.[[30]](#endnote-30)

One of the first tasks for Venkatesh in 2014 was to bring about organizational changes. While Co-optex had dedicated personnel who had put in 30–35 years of service with the co-operative, most departments did not talk to each other. Venkatesh began by integrating the various departments and setting priorities. He believed in lauding and awarding employees to maintain their morale. An open-door policy—including being open to suggestions from all levels of employees and interacting with customers and weavers in the exhibitions, on weaver tours, and through social media—helped him stay in touch with all the relevant stakeholders.

Marketing Efforts

The new phase of turnaround gave substantial importance to marketing activities. Venkatesh believed he must build strong relationships with customers by reinvigorating and rejuvenating customers’ experience with Co-optex.

The market research study Co-optex had commissioned in 2011 identified a preference of consumers in major Indian cities for handloom work over synthetics. Co-optex decided to compete with growing retail brands like Nalli through niche and innovative products sold in “Co-optex boutiques.” With assistance from the Tamil Nadu Innovation Initiative Scheme, Co-optex converted existing showrooms in four cities into niche boutiques. These boutiques witnessed a significant increase in footfalls and cash sales.

Co-optex tried to build interest around its products during key national and regional festivals by introducing contests and schemes. For example, Co-optex distributed 1,100 grams of gold as part of a gold coin contest that awarded gold coins on cash purchases exceeding ₹2,000, which increased the excitement around Co-optex products. Co-optex achieved about 30 per cent of its yearly sales during the festival period between October and January from FY 2012–13 to FY 2015–16. The co-operative also launched a “buy two, get one free” scheme in FY 2011–12, which continued over the next four years.

Further, Venkatesh expanded Co-optex’s reach by organizing exhibitions all across India. In FY 2015–16, Co-optex organized 75 exhibitions, fetching revenues of ₹51.5 million ($0.78 million). Venkatesh personally dressed and acted as a salesperson during these exhibitions, transforming them into events that generated enthusiasm among both customers and staff.

In December 2014, Co-optex launched an e-shopping portal to attract online customers and to offer its existing customer base online shopping options. While the e-portal initially offered only silk and cotton saris, the product range was later extended to 1,931 products, including silk and cotton shirts, dhothis, and bedspreads. In 2016, Co-optex achieved online sales of ₹6.22 million ($0.09 million). The e-portal enabled international sales as well, and Co-optex began selling on other e-commerce portals, including Flipkart, Snapdeal, and Craftsvilla, thereby expanding its sales reach. The marketing efforts also included special weaver trails organized for groups of sari enthusiasts.

As a government co-operative, Co-optex faced budget constraints and sanctions with regard to its advertising. Venkatesh found Facebook marketing handy. He became a member of several handloom sari enthusiast groups, including the #100saree pact and #W3 (Women Weave World). One group was keen to revive the sari and had decided to wear saris 100 times before the end of 2015. Another was a group of sari enthusiasts who had bonded over their love for saris. These groups included professional women working in several industries across India, who wished to make a difference to the community of weavers. The Co‑optex Facebook page, which had about 2,000 likes when Venkatesh took over, recorded more than 10,000 likes in 2016. His posts educated enthusiasts about various kinds of weaves, the efforts of weavers, and Co-optex itself, and led to happy customers taking to social media to express their satisfaction.[[31]](#endnote-31) As a result of Venkatesh’s efforts, Co-optex’s social media presence was extended to include Twitter as well, and its digital marketing efforts received responses from youth and from Indians settled abroad.

Besides extensive domestic marketing, Co-optex started to focus on overseas markets, especially for its range of home textile products, including bed, bath, and table linens and furnishing fabric. The major export destinations included Germany, France, the Netherlands, Belgium, Denmark, Sweden, Switzerland, Spain, the United Kingdom, and Hong Kong. Co-optex began to pay greater attention to exports by participating in international textile fairs, and it opened exclusive “Hometex” showrooms to sell handloom home textiles products for export. In FY 2014–15, Co-optex received an award for Best Handloom Exporter from among all handloom co-operatives in Tamil Nadu.

New and Revival Products

As part of the turnaround, Co-optex introduced a variety of new products, including organic cotton saris and linen shirts. Organic cotton saris were environmentally friendly products introduced with a view to encourage zero environmental pollution and protect ecological balance. Co-optex was India’s only apex handloom weaving society producing organic cotton saris. It also introduced linen shirts in the men’s category under the brand names LICO and Linens by Co-optex (see Exhibit 7).

Through his social media interactions, Venkatesh realized that there was a niche market for vintage products such as Kanjeevarum silk saris in traditional motifs and patterns. The Kanjeevarum was a type of silk sari woven in the Kanchipuram region of Tamil Nadu, which was recognized as a geographical indication by the government of India in FY 2005–06. Worn during weddings and festivals, it had been losing its significance to the large youth population in India, which had preferred to move towards lighter, more contemporary designs. Venkatesh decided to introduce vintage Kanjeevarums—silk saris that revived traditional motifs and weaving patterns that were on the verge of extinction because of a lack of connoisseurs. Exclusive vintage Kanjeevarum exhibitions were organized for sari lovers in Mumbai, Bengaluru, and Chennai. These and other revival saris were a big hit with sari lovers and sold out at exhibitions and when posted online.

Weavers’ Identity Cards and Exposure Visits

Venkatesh was aware that weavers were disillusioned with handlooms and migrating to power looms or even to other occupations. He improvised the weavers’ photo identity cards, which had been introduced by the Ministry of Handloom and Textiles in 2010 with the objective of tracing products back to the original weaver. Each Co-optex product began to carry a weaver’s card with a photograph and details about the producing weaver, along with information about the weaving technique used to produce the sari. While the card was initially introduced for handloom sari weavers, Co-optex proposed to extend its use to other handloom product weavers in the future. While this recognized and honoured weavers, it also created an aspirational product for discerning customers. By 2015, Co-optex had digitally mapped 90,000 weavers’ identity cards.

Another important component of the turnaround strategy was the exposure visits initiated by Venkatesh. Under this initiative, handloom weavers, Co-optex technical personnel, and designers were taken on trips to various other handloom clusters both within and outside the state in order to gain knowledge on improved production techniques and the development of novel designs. The deliverables of this initiative included improved awareness among weavers of the latest weaving techniques, implementation of novel designs and colour combinations in existing products, a movement towards higher-value-added products, improved motivation, an ability among weavers to venture into new products, and increased sales of handloom products by around 10 per cent per annum.

Tamil Nadu weavers were taken to Orissa, Madhya Pradesh, and Maharashtra as part of these weaver tours. The handlooms of each of these states had their own distinct identities. Weavers who were part of these visits incorporated the influences of the other state handlooms into their own weaving, and this led to the creation of new designer-like saris. The sharing of experience was expected to result in the overall growth of the handloom industry. Further, it increased the wage-earning capacity of the weavers considerably, as they began to supply 15–20 saris per month, instead of the usual six to nine saris.

Co-optex had managed to change its image from staid to market savvy through these various efforts: changing the demographic profile of the Co-optex customer; introducing new colours, patterns, designs, and products preferred by the new demographic; using e-commerce portals and social media to be in sync with contemporary trends; and motivating weavers to weave the new products designed by students of design. How could Co-optex continue to be relevant to a population that was exposed to growing Westernization, large availability of options in clothing and textiles, and continuously changing tastes and preferences?

EXHIBIT 1: Yearly PRODUCTION OF HANDLOOM CLOTH AND EXPORT OF HANDLOOM PRODUCTS FROM INDIA

|  |  |  |
| --- | --- | --- |
| **Year** | **Handloom Cloth Production (in million square metres)** | **Handloom Exports**  **(in $ millions)** |
| 2007–08 | 6,947 | N.A. |
| 2008–09 | 6,677 | N.A. |
| 2009–10 | 6,806 | 1,434.65 |
| 2010–11 | 6,907 | 1,516.02 |
| 2011–12 | 6,901 | 1,440.11 |
| 2012–13 | 6,952 | 1,277.94 |
| 2013–14 | 7,104 | 1,174.21 |
| 2014–15 | 7,203 | 1,178.12 |

Source: Government of India, Ministry of Textiles, *Note on Handloom Sector*, 3, December 30, 2015, accessed April 26, 2017, http://handlooms.nic.in/writereaddata/2486.pdf.

EXHIBIT 2: LIST OF MANAGING DIRECTORS OF CO-OPTEX SINCE 2000, WITH THEIR TENURES

|  |  |  |
| --- | --- | --- |
| **Managing Director** | **Tenure** | **Duration of Tenure** |
| R. Balakrishnan | September 15, 1997 to January 14, 2001 | 3 years, 4 months |
| Viswanath Shegoankar | February 9, 2001 to September 9, 2003 | 2 years, 7 months |
| P. M. Basheer Ahmed | March 24, 2004 to September 27, 2004 | 6 months |
| Dr. Varaprasada Rao | September 27, 2004 to January 15, 2006 | 1 year, 3 months |
| Rajiv Nayan Choubey | January 16, 2006 to July 31, 2006 | 6 months |
| M. P. Nirmala | August 21, 2006 to January 8, 2009 | 2 years, 4 months |
| R. Jaya | January 8, 2009 to July 24, 2009 | 6 months |
| V. Chandrasekaran | July 24, 2009 to September 30, 2010 | 1 year, 2 months |
| Dr. Shanthini Kapoor | October 1, 2010 to May 25, 2011 | 7 months |
| C. Umasankar | May 30, 2011 to September 12, 2011 | 3 months |
| Vijay Pingale | September 19, 2011 to May 28, 2012 | 8 months |
| U. Sagayam | June 6, 2012 to September 9, 2014 | 2 years, 3 months |
| T. N. Venkatesh | September 9, 2014 to date | - |

Source: Company files.

EXHIBIT 3: SALES AND PROFIT/LOSS OF CO-OPTEX by YEAR

| **Fiscal Year** | **Sales (in $ millions)** | **Profit/Loss (in $ millions)** | **Net Accumulated Profits/Losses (in $ millions)** |
| --- | --- | --- | --- |
| 1999–2000 | 75.40 | 0.24 | 1.05 |
| 2000–01 | 70.03 | −3.61 | 4.61 |
| 2001–02 | 39.86 | −3.13 | 7.55 |
| 2002–03 | 56.90 | −5.85 | 13.29 |
| 2003–04 | 74.25 | −2.92 | 16.91 |
| 2004–05 | 76.08 | −1.73 | 19.03 |
| 2005–06 | 95.37 | 0.48 | 18.83 |
| 2006–07 | 117.90 | 0.61 | 17.82 |
| 2007–08 | 150.77 | 3.07 | 16.95 |
| 2008–09 | 135.00 | 3.59 | 11.25 |
| 2009–10 | 154.30 | 4.64 | 6.27 |
| 2010–11 | 43.45 | 6.53 | 3.69 |
| 2011–12 | 45.47 | 1.10 | 2.40 |
| 2012–13 | 44.97 | 2.61 | - |
| 2013–14 | 49.82 | 1.68 | - |
| 2014–15 | 50.14 | 0.46 | - |

Note: U.S. dollar amounts were based on the INR–USD exchange rates for each year.

Source: Company files.

EXHIBIT 4: CO-OPTEX Versus OTHER TOP five STATE HANDLOOM Co-operativeS IN INDIA

|  |  |  |  |
| --- | --- | --- | --- |
| **Organization/Fiscal Year** | **Sales**  **(in $ million)** | **Profit/Loss**  **(in $ million)** | **No. of Showrooms** |
| **BOYONIKA (Orissa State Handloom Co-Operatives)** | | | |
| 2013–14 | 12.69 | N.A. | 45 |
| 2014–15 | 12.64 | N.A. | 45 |
|  |  |  |  |
| **Andhra Pradesh State Handloom Weavers Co-operatives (APCO)** | | | |
| 2013–14 | 11.80 | N.A. | 198 |
| 2014–15 | 9.90 | N.A. | 198 |
|  |  |  |  |
| **Karnataka Handloom Development Corporation (KHDC)** | | | |
| 2013–14 | 6.60 | 0.370 | 40 |
| 2014–15 | 4.70 | −1.360 | 40 |
|  |  |  |  |
| **TANTUJA (West Bengal State Handloom Weavers)** | | | |
| 2013–14 | 15.00 | 0.002 | 82 |
| 2014–15 | 17.30 | 0.335 | 82 |
|  |  |  |  |
| **MRIGNAYANI (Madhya Pradesh Handloom)** | | | |
| 2013–14 | 5.61 | 0.012 | 23 |
| 2014–15 | 4.89 | 0.013 | 23 |
|  |  |  |  |
| **CO-OPTEX** | | | |
| 2013–14 | 49.82 | 1.680 | 200 |
| 2014–15 | 50.14 | 0.460 | 200 |

Source: Company files.

EXHIBIT 5: INFORMATION REGARDING TAMIL NADU HANDLOOM WEAVERS (FY 2009–10)

|  |  |  |  |
| --- | --- | --- | --- |
| **Parameter** | **No. of Rural Households (as % of Total Rural Households)** | **No. of Urban Households (as % of Total Urban Households)** | **Total (as % of Total Households)** |
| Number of handloom worker households (weavers and allied workers) | 113,032 | 76,037 | 189,069 |
| Handloom worker households in possession of looms | 63,202 (55.9) | 41,920 (55.1) | 105,122 (55.5) |
| Handloom worker households by usage of looms for commercial purposes | 106,105 (93.8) | 72,798 (95.7) | 178,903 (94.6) |
| Handloom worker households ration cards[[32]](#endnote-32) | 105,074 (92.7) | 71,929 (94.5) | 177,003 (93.6) |
| Total handloom workers by age group:  < 18 years  18 years and above  Total workforce (all ages) | 17,933  185,550  203,483 | 15,876  132,962  148,838 | 33,809  318,512  352,321 |
| Adult handloom workers by education level:  Never attended school  Middle level and less (including those who didn’t attend school) | 42,978 (23.1)  157,455 (84.8) | 28,728 (21.6)  111,932 (84.1) | 71,706 (22.5)  268,847 (84.4) |
| Average days per worker per year | 254 | 253 | 254 |
| No. of households reporting average production of major fabric per weaver per day (in metres):  < 1 metre  1–2 metres  2–3 metres  3–4 metres  4 metres and above  Total | 23,633  13,465  11,009  6,897  8,542  63,546 | 13,683  10,386  9,209  5,006  3,714  41,998 | 37,316  23,851  20,218  11,903  12,256  105,544 |
| Average earning of handloom weaver households in INR per annum ($ per annum) | 24,290 ($512) | 25,318 ($534) | 24,707 ($521) |
| Contribution of handloom to total household income (%) | 81.07 | 77.08 | 79.42 |
| Households in debt | 11364 (10.0) | 10,366 (13.6) | 21,730 (11.5) |
| Households reporting whether their children were interested in taking up handloom weaving as a profession:  No  Yes  Don’t know  Not applicable | 64,056 (56.6)  10,461 (9.2)  30,076 (26.6)  8,439 (7.5) | 43,638 (57.4)  6,882 (9.0)  18,304 (24.1)  7,213 (9.5) | 107,694 (56.9)  17,343 (9.2)  48,380 (25.6)  15,652 (8.2) |
| Handloom worker households reporting threat from mill/ power-loom sector:  High threat  Moderate threat | 50,102 (44.3)  18,010 (16.0) | 37,810 (49.7)  8,916 (11.7) | 87,912 (46.5)  26,926 (14.2) |

Source: Adapted by case-author from National Council of Applied Economic Research, *Handloom Census of India, 2009–10: Primary Handloom Census Abstract*, 2010, accessed April 26, 2017, http://handlooms.nic.in/Writereaddata/Handloom%20report.pdf.

EXHIBIT 6: TURNAROUND STRATEGIES: THE three Rs

***Replacement or Reorganization***: This strategy involved replacing and reorganizing the internal leadership and management team of the organization with a completely new team, either drawn from within the organization or from outside. Such strategies were sought to assist in other turnaround strategies, including retrenchment or repositioning strategies. They involved changes in the organizational culture, the extent of centralization or decentralization, and the styles of leadership, including human resource management.

***Repositioning***: This was defined as an entrepreneurial strategy that “emphasises growth and innovation.” A failing organization could reposition itself by redefining its mission and core activities, by gaining dominance in an existing market, or by innovating and diversifying into new markets and products.

***Retrenchment***: This turnaround strategy dealt with organizational failure and involved taking immediate steps to stem losses through cuts in those parts of the business that were unproductive and unprofitable, stabilizing the organization, and increasing efficiency. Retrenchment could include decisions to reduce staff, cut inventories, change prices, reduce overheads, restructure work processes, reduce waiting times, increase throughput, or even exit markets where the firm was performing poorly. This strategy released resources that could be used for investment in areas that were likely to deliver higher returns.

Source: Adapted from Kieran Walshe, Gill Harvey, Paula Hyde, and Naresh Pandit, “Organizational Failure and Turnaround: Lessons for Public Services from the For-Profit Sector,” *Public Money and Management* 24, no.4 (2004): 201–208, doi:10.1111/j.1467-9302.2004.00421.x; George A. Boyne, “A ‘3Rs’ Strategy for Public Service Turnaround: Retrenchment, Repositioning and Reorganization,” *Public Money and Management* 24, no. 2 (2004): 97–103, doi:10.1111/j.1467-9302.2004.00401.x.

EXHIBIT 7: Co-optex SALES DETAILS FROM 2011–12 TO 2014–15, by CATEGORY AND fiscal YEAR (in $ millions)

| **Variety** | **2011–12** | **2012–13** | **2013–14** | **2014–15** | **2015–16** |
| --- | --- | --- | --- | --- | --- |
| Kanjeevarum Silk Saris+ | 0.10 | 0.33 | 0.43 | 0.70 | 0.74 |
| Arni Silk Saris+ | 0.70 | 0.71 | 0.78 | 0.81 | 0.91 |
| Coimbatore Silk Saris+ | 2.86 | 2.93 | 3.51 | 3.69 | 4.77 |
| Salem Silk Saris+ | 5.02 | 4.53 | 4.23 | 5.31 | 5.13 |
| Organic Saris | 0.00 | 0.00 | 0.00 | 0.00 | 0.12 |
| Cotton Saris | 7.76 | 7.77 | 7.27 | 7.27 | 7.02 |
| Bedsheets | 9.73 | 9.38 | 9.78 | 9.89 | 9.71 |
| Printed Bedspreads | 0.25 | 0.27 | 0.32 | 0.38 | 0.37 |
| Carpets | 0.73 | 0.71 | 0.69 | 0.71 | 0.72 |
| Lungis | 1.10 | 1.07 | 1.03 | 1.09 | 1.02 |
| Dhothis | 0.44 | 0.49 | 0.84 | 0.93 | 0.92 |
| Pillow Covers | 0.87 | 0.91 | 0.96 | 1.00 | 0.94 |
| Turkish Towels | 0.29 | 0.29 | 0.27 | 0.27 | 0.26 |
| Furnishing | 0.25 | 0.24 | 0.23 | 0.23 | 0.23 |
| White Cotton Towels | 0.03 | 0.05 | 0.05 | 0.08 | 0.08 |
| Polyester & Poly Cotton Saris | 1.47 | 2.60 | 4.44 | 4.76 | 4.66 |
| Chudidar (Women’s Garment) | 0.33 | 0.40 | 0.71 | 0.74 | 0.70 |
| Cotton Readymade Shirts | 0.26 | 0.25 | 0.39 | 0.69 | 0.70 |
| Linen Shirts | 0.00 | 0.00 | 0.00 | 0.00 | 0.07 |
| Miscellaneous | 13.12 | 12.04 | 13.90 | 11.59 | 8.79 |
| **Total** | **45.32** | **44.97** | **49.82** | **50.14** | **47.87** |

+ These were varieties of silk saris.

Source: Company files.

Endnotes

1. A. Subramanil, “Salem’s Venpattu Silk to Get Award from PM Today,” *The Times of India*, August 7, 2015, accessed April 24, 2017, http://timesofindia.indiatimes.com/city/chennai/Salems-Venpattu-silk-to-get-award-from-PM-today/articleshow/

   48382967.cms. The Prime Minister of India had announced August 7 as National Handloom Day to promote handlooms in the country. On August 7, 2015, the first National Handloom Day, three products had been chosen for the prestigious India Handloom Brand certification: the Tangail sari of West Bengal, the Tanchoi sari of Benares, and the Salem Venpattu. This was meant to endorse the quality of handloom products in terms of raw materials, processing, embellishment, weaving, design and other parameters, and to verify their social and environmental compliance in order to earn the trust of customers. [↑](#endnote-ref-1)
2. ₹ = INR = Indian rupee; all currency amounts are in ₹ unless otherwise specified; US$1.00 = ₹61.14 in FY 2014–15. [↑](#endnote-ref-2)
3. With the rupee depreciating against the U.S. dollar (from US$1.00 = ₹45.56 to US$1.00 = ₹61.14 between FY 2010–11 and FY 2014–15), the increase in dollar terms was much less significant: only about 15.4 per cent. [↑](#endnote-ref-3)
4. There were 29 states in India in 2015. Each state had its own handloom co-operative organization, and some states had more than one such state-supported handloom organization. [↑](#endnote-ref-4)
5. The sari was a garment worn by women on the Indian subcontinent. Made of an unstitched cloth 4.5–9.0 metres long and about 1 metre wide, a sari was usually draped around the waist, with one end over the shoulder. It was worn over an underskirt and combined with a fitted blouse. Saris could differ based on the type of fabric, their weaving style, motifs, and so on. Handloom saris were woven using cloth, silk, or a blend of cotton and silk. [↑](#endnote-ref-5)
6. Ministry of Textiles: Government of India, *Annual Report 2014-15*, accessed January 13, 2017, http://texmin.nic.in/sites/default/files/ar\_14\_15\_english.pdf; “Textile Industry & Market Growth in India,” IBEF: India Brand Equity Foundation, accessed April 24, 2017, www.ibef.org/industry/textiles.aspx. [↑](#endnote-ref-6)
7. Ibid., 5. [↑](#endnote-ref-7)
8. “Textiles & Apparel,” Confederation of Indian Industry, accessed April 24, 2017, www.cii.in/sectors.aspx?enc=prvePUj2bdMtgTmvPwvisYH+5EnGjyGXO9hLECvTuNtLCJDTirQ5WD1HbdWnsKry. [↑](#endnote-ref-8)
9. “India Handloom Brand,” Vikaspedia, accessed April 24, 2017, http://vikaspedia.in/social-welfare/skill-development/india-handloom-brand. [↑](#endnote-ref-9)
10. Government of India: Ministry of Textiles, *Note on Handloom Sector,* December 30, 2015, accessed November 5, 2016, http://handlooms.nic.in/writereaddata/2486.pdf. [↑](#endnote-ref-10)
11. Ibid. [↑](#endnote-ref-11)
12. Ibid., 3. [↑](#endnote-ref-12)
13. Ibid., 3. [↑](#endnote-ref-13)
14. Ibid., 3–4. [↑](#endnote-ref-14)
15. A dhothi was a traditional garment worn on the lower part of the body by men on the Indian subcontinent. [↑](#endnote-ref-15)
16. Officers from the IAS constituted the executive arm of the Indian government and were chosen to head strategic positions in the government and the public sector. [↑](#endnote-ref-16)
17. Government of India, *The Handlooms (Reservation of Articles for Production) Act, 1985*, March 29, 1985, accessed April 26, 2017, http://lawmin.nic.in/ld/P-ACT/1985/The%20Handlooms%20(Reservation%20Of%20Articles%20For%20Production)%20Act,%201985.pdf. [↑](#endnote-ref-17)
18. Rini Barman, “Government is about to Endanger India’s Sari Tradition,” *Daily-O,* April 30, 2015*,* accessed December 22, 2016*,* www.dailyo.in/politics/sari-handloom-reservation-act-1985-power-looms-100saripact-kirron-kher-jonali-saikia/

    story/1/3455.html. [↑](#endnote-ref-18)
19. Sonali Kohli, “Memo to the World: Not Every Indian Outfit is a Sari,” Quartz India, January 22, 2015, accessed January 6, 2017, https://qz.com/331756/memo-to-the-world-not-every-indian-outfit-is-a-sari/; Sheela Reddy, “Sari, Wrong Number,” *Outlook*, January 27, 2003, accessed January 2, 2017, www.outlookindia.com/magazine/story/sari-wrong-number/218722. [↑](#endnote-ref-19)
20. “Haute Battle: Is Globalization Killing the Sari?,” Window 2 India, March 14, 2008, accessed April 26, 2017, http://window2india.com/cms/admin/article.jsp?aid=5706. [↑](#endnote-ref-20)
21. Sunaina Kumar, “The New Sari Story,” *India Today*, October 22, 2009, accessed December 13, 2016, http://indiatoday.intoday.in/story/The+new+sari+story/1/67343.html. [↑](#endnote-ref-21)
22. Aditya Somani, “Why the $15-B Sari Industry Still Has No Single Large Player,” Your Story, April 14, 2016, accessed April 26, 2017, https://yourstory.com/2016/04/indian-sari-industry-startup/. [↑](#endnote-ref-22)
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25. Government of India, “Projected Population Characteristics,” Data.gov, April 28, 2014, accessed April 26, 2017, https://data.gov.in/catalog/projected-population-characteristics. [↑](#endnote-ref-25)
26. Naresh R. Pandit, “Some Recommendations for Improved Research on Corporate Turnaround,” *Management* 3, no.2 (2000): 31–56, accessed April 26, 2017, https://pdfs.semanticscholar.org/9170/42496ded1c491ff4571e777c643489d295c0.pdf. [↑](#endnote-ref-26)
27. Kieran Walshe, Gill Harvey, Paula Hyde, and Naresh Pandit, “Organizational Failure and Turnaround: Lessons for Public Services from the For-Profit Sector,” *Public Money and Management* 24, no.4 (2004): 201. doi:10.1111/j.1467-9302.2004.00421.x. [↑](#endnote-ref-27)
28. Ibid. [↑](#endnote-ref-28)
29. Lisa Bradley and Rachel Parker,” Organisational Culture in the Public Sector: Evidence from Six Organisations,” *International Journal of Public Sector Management* 13, no.2 (2000): 125–141. doi:10.1108/09513550010338773. [↑](#endnote-ref-29)
30. Rosabeth Moss Kanter, “Leadership and the Psychology of Turnarounds,” *Harvard Business Review* 81, no. 6 (2003): 58–67. Available from Ivey Publishing, product no. R0306C. [↑](#endnote-ref-30)
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32. [↑](#endnote-ref-32)