

## **Executive Summary**

The apparel industry is an important contributor to the Sri Lankan economy. "It has become Sri Lanka's leading export industry since 1986" (Dheerasinghe, 2009, p. 34). Since 1992 it is also considered as the country's prime net foreign exchange generator since 1992. (Kelegama & Foley, 1999, p.196). Export earnings value in the sector was at US dollars 3,761 million, which is 53 per cent of the total export earnings in 2009 (Central Bank of Sri Lanka, 2009, p. 55). The gross domestic product (GDP) contribution from the sector was 15 percent in 2009 (Central Bank of Sri Lanka, 2009, p. 56). Apparel industry provides more than 330,000 direct employments which is 5 percent of country's total employment working in approximately 1,060 garment factories (Dheerasinghe, 2009, p. 36). These facts and figures persuade that Sri Lanka is very much dependent on the industry for both employment and foreign exchange earnings.

The period of boom in the industry is gradually impending to an end, with the quota system getting ended in the year 2005, regional trading blocs and bilateral free trade agreements proliferating and governing nearly 33 percent of global trade, and China emerging as a major supplier of garments at very competitive rates (Kelegama, 2005, p. 57). Furthermore the increasing competition from low-cost manufacturers and the slow progress in domestic infrastructure development impairs external competitiveness (World Trade Organization, 2004, p. 126). Later in 2008, all the manufacturing industries were badly affected by the global recession (Yang & Zong, 2010, p. 61) and the apparel industry was not an exemption. While recovering from this economic condition, the Sri Lankan apparel industry is facing the challenge of being competitive within the region.

To remain competitive, an industry is required to improve its technology, rationalize costs of production, advance product quality and delivery speed, keep up high labor standards. (World Trade Organization, 2004, p. 127). As a result most of the garment industries geared themselves to face these challenges by redefining, redesigning and improving their production systems. Within this context, they implemented different methodologies which were practiced by different manufacturing sectors in different countries.

Lean methodology is one of those concepts introduced to the apparel sector with the objective of increasing productivity, improving product quality and cycle time, reducing inventory and lead time and eliminating manufacturing waste. All these objectives will

ultimately formulate one core objective of providing an enhanced customer satisfaction while eliminating the waste activities of manufacturing. Lean manufacturing is yet to be spread widely in the Sri Lankan apparel industry. The theory of lean manufacturing needs to be adapted accordingly to suit the particular industry in concern. This is because it is difficult and misleading to use the lean experience (activities and performance indicators) in another industry as a reference point. The economic, cultural and social background of the Toyota Company, where lean manufacturing was developed and is practiced extensively, is largely different from that of companies in Sri Lanka. Therefore, this case study focuses on understanding how lean practices are introduced and practiced and how well the objectives are achieved in the selected case company, MAS Active Leisureline.

Firstly this document presents a review of literature on Performance Improvement methodologies, change management, knowledge management and fundamentals and approaches of lean implementation suggested in literature. Then the methodology adopted by the case company and the impact of the lean implementation is analyzed by adapting qualitative and quantitative methods. Finally, the improvements gained by the case company with respect to the adapted methodology are discussed with a final conclusion from case writer about the impact the case company gained through the lean implementation and performance improvement technique used.