

# The business case for factory improvement services in Myanmar

## Background

*BIF's work in the Myanmar garment sector*

The Business Innovation Facility (BIF) is a five-year (2014-2019) market systems development programme funded by the UK Department for International Development. It aims to improve the way that markets work in order to benefit the lives of the poor.

As part of its work in Myanmar's garment sector, BIF provided garment factories with training and consulting services on productivity and Human Resource (HR) management. Fourteen factories participated in the training, which targeted six key staff and involved:

- Providing factories with data trackers and showing them **how to analyse Key Performance Indicators (KPIs)** in HR and productivity, including for example workforce turnover, take-home pay, cut-to-ship ratio and line productivity.
- **Productivity training** for supervisors to strengthen industrial engineering expertise and introduce new production systems such as line balancing, capacity and studies, single piece flow, bottleneck management and performance rating.
- **Human resource management training** to establish i) clear roles and responsibilities, ii) promotion and appraisal processes that clearly link to workers' pay and bonuses, iii) support networks as well as formal and accessible communication systems with workers.
- **Health and safety training** to help factories design and improve systemic approaches to improving the working environment.

The impact of the training was measured using a Randomised Controlled Trial (RCT) led by an independent academic institution, Tufts University. This approach has enabled BIF to understand the results of the training in great detail and generate learning for factories.



[www.bifprogramme.org](http://www.bifprogramme.org)  
[www.facebook.com/BIFgarmentmarket](https://www.facebook.com/BIFgarmentmarket)

## Why invest in human resources and productivity training?

*Selected results of an 8-month training programme (21 days classroom training and 14 days follow-up)*

### 1) Training to improve management and HR practices leads to better working conditions

- Monthly **staff turnover fell** two percentage points, from 9.3% to 7.4% and the proportion of staff with 13-24 months' **experience increased** by almost 10%
- Workers understand how pay is calculated and **trust the factory** to pay them correctly and fairly
- Workers that trust the factory management and feel comfortable at work experience greater job satisfaction and are **less likely to arrive late, be absent or quit**
- Workers report **improved working environments**, e.g. less noise, better air quality, and more availability of personal protective gear

### 4) With increased productivity and more orders coming in, profit is very likely to increase

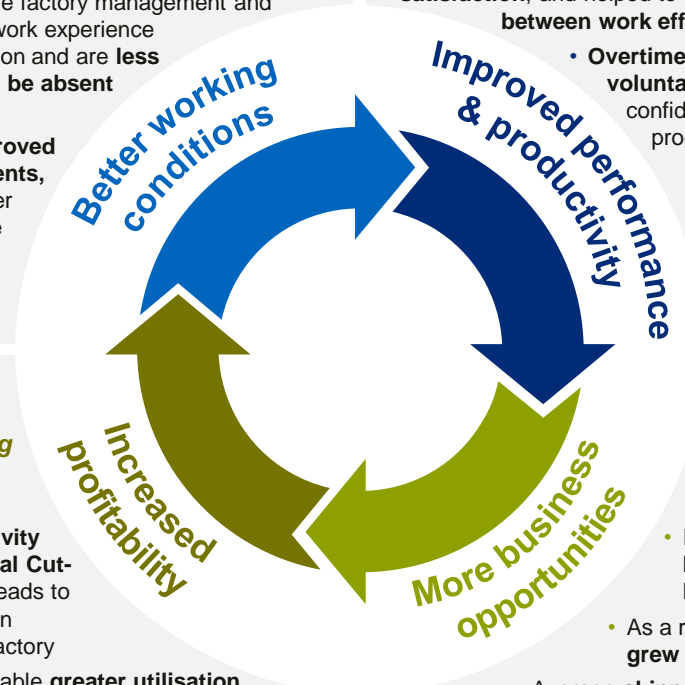
- **Increased productivity generates additional Cut-Make value** which leads to substantial Return on Investment for the factory
- Increased orders enable **greater utilisation of the factory's production capacity**, productive assets and workers, and enhanced reputation
- **Higher shipped quantities generate more revenue** for factories and, provided costs are controlled, will increase profitability
- Reduced turnover, achieved through better working conditions, **cuts costs to recruit, on-board and train** new workers and supervisors

### 2) Training on new, more efficient production systems improves factory performance

- **Productivity increased** from 4.4 to 7.6 garments per worker, per 8-hour day. This is likely due to greater worker productivity and other factors, e.g. increased factory utilisation rates and changes in garment style
- Introducing quality bonuses **improved worker job satisfaction**, and helped to **strengthen the link between work effort and pay**
  - **Overtime hours were more often voluntary** and workers gained confidence in their ability to produce high quality work
  - Productivity improvement methods introduced in one production line can lead to **factory-wide benefits**

### 3) Better managed, more productive factories are more attractive to international buyers

- International buyers are likely to place **more and larger orders**
  - As a result of training, **orders grew by 86%**
  - Average **shipped quantities doubled** from 33,000 garments to 58,000 during the training and to 71,000 garments in the months after training
- It is likely that **buyers were more confident placing orders** with factories that were making tangible efforts to improve worker welfare, HR, health and safety, and productivity



## Case study

Return on Investment (RoI) from a Factory Service Provider's HR and productivity training



**Challenge** A Myanmar-Korean joint venture factory producing outdoor jackets was struggling with low productivity and was unable to generate profit after absorbing an increase in worker wages. The management team decided to seek expert help to boost productivity and improve HR systems. They contacted Go Win Trading, a Myanmar-based firm trained through BIF by Rajesh Bheda Consulting, a leading garment consulting firm.



**Solution** After conducting an assessment of the factory, Go Win provided a 10-day training programme in the factory. The programme covered 11 topics, including productivity measurement, garment inspection procedures, defect capture and analysis, capacity study and line balancing, supervisor roles and responsibilities, problem solving, HR development functions, new worker orientations and effective exit interviews.



**Testimonial** "During the GoWin training period, we could only produce 200-240 garments and no more. Next two months after the training I gave training on the techniques I learned to all the lines. Then, there was improvement in the sewing lines. Now, similar style, we can produce around 400 pieces... The factory has been able to add one more line, with more orders coming in." (Total Manager)



**Measuring progress** The productivity level, when measured in number of garments produced, varied when the garment style changed. This made comparisons difficult. To address this issue, productivity was measured in terms of Cut-Make value generated per worker, which is a more insightful indicator of productivity when a factory is working on multiple styles.



**Results** The average Cut-Make value between May and August 2017, before the training, was US \$6.80. By October 2017, after the training had been delivered, this figure had increased to US \$7.50. This represents a 10.29% improvement.



**Return on Investment** As a result of the productivity improvement the factory was able to generate an additional Cut-Make value of US \$2,570 in two months, leading to a potential annual income of US \$15,420. This provided the factory a payback period of fewer than eight weeks and an annual potential Return on Investment of 6.7 times.

## Contact these Factory Service Providers

For more information on how to help your business realise its full potential



### The Center for Child Rights and Corporate Social Responsibility (CCR CSR)

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## Considering investing in training?

More support and guidance is available

Read '**How to maximise the benefits of garment factory training for your business, your workers, and the industry**'. For those looking to invest in factory improvement services this paper provides important advice, including:

- Answers to key questions - How do we plan a factory improvement initiative? When is the best time to start the process? Is financial support available?
- An overview of the different types of training that are available and the benefits of each approach.
- A step-by-step checklist to help in designing, planning and implementing factory improvements.

Note that introducing certain changes to factory production systems can also have some negative effects. Your Factory Service Provider can provide more details and support you to make sure they don't happen.