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Flexibly Together: Surviving and Growing in a Garment Cluster, Ahmedabad, India

KESHABANANDA DAS

Concerned with the current debate on flexibility–collectivity in small firms, this case study contributes to a better understanding of the dynamics of industrial clusters in developing countries, which is a relatively less researched field. The garment cluster in Ahmedabad underscores firm strategy to maintain quality through adoption of ‘intermediate’ technology, and by catering to highly segmented and vast domestic and external markets. Despite severe competition for survival in a highly customised market, the small firms have gained immensely through collective action, often networking with the state. Business dynamism in such clusters has certainly relegated the status of labour to the background. Joint action by entrepreneurs and the state needs to focus on upgrading both technology as well as labour standards in clusters, earnestly and with vigilance.

Keshabananda Das is an Assistant Professor at the Gujarat Institute of Development Research, Ahmedabad, India.

The last couple of decades has witnessed profound changes in the global economic and political spheres, which have necessitated restructuring or posing anew the roles of acknowledged instruments of development. Such a phenomenon has specially been evident in the arena of industrial organisation, mainly in the developed nations. The decline in the dominance of global Fordism, that had held sway since the beginning of the second half of this century, during the recessionary decades of the 1970s and 1980s, called for fresh enquiry and alternative approaches. Based on the foundations of mass production in vertically integrated large plants controlled by a hierarchical managerial apparatus with pronounced division of labour, the Fordist–Taylorist design of production organisation turned out to be rigid and, in some sense, inherently indivisible. This was when the thrust of competitiveness of firms was increasingly being shifted from a supply led volume and

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'homogeneity' of production to a demand induced highly customised and differentiated production structure. The key to performance in a vacillating market remained the flexibility of firms on at least two counts—product/process innovativeness and custom responsiveness. Interestingly, or rather unconventionally, small and medium enterprises (SMEs) in many European countries, Japan and the newly industrialised economies (NIEs) of Asia, apart from retaining/enhancing statistical prominence in national business, have, in general, demonstrated their dynamism to respond effectively to changing market scenarios.¹

Understanding Flexibility

The special attributes of performing SMEs have been captured by the now-famous concept of 'flexible specialisation', which is described as a 'strategy of permanent innovation: accommodation to ceaseless change, rather than an effort to control it. This strategy is based on flexible—multi-use—equipment; skilled workers; and the creation through policies, of an industrial community that restricts the forms of competition to those governing innovation'.² The principal aspect of flexibility lies in a continuous state of innovativeness or technological dynamism at the firm level that is responsive to market changes. This, naturally, would involve 'a radical shift in the relationship between technology and labour and, consequently, the manner in which the firm is managed'.³

Operationalising flexibility has been made possible largely through the adoption of microelectronics into the production process, which has been instrumental in producing a wide range of products with shortened lead times. This has also ensured precision and better quality of the final products. Further, most successful SMEs have introduced changes in their managerial designs following what are better known as Japanese management techniques. Total quality control (TQC) and just-in-time (JIT) are perhaps the most widely known of these techniques. Such managerial practices have contributed immensely towards upgrading businesses and have helped the SMEs in gaining competitive advantage.

Another form of flexibility could include adaptation of superior techniques to suit local conditions. Appropriate, not underdeveloped, technology represents such a possibility whereby shifting to better methods of manufacturing could be possible without a formal restructuring of the organisational structure. An extreme case may be that of craft production where, by using limited tools, the artisan produces a variety of articles, more often than not to customer specifications.

Achieving flexibility through technological/organisational upgradation can materialise by imparting skills to the existing labour force so that multiple specialised functions can be undertaken. Familiarity with modern methods of manufacturing, new work cultures and even spatial shifts of work involve substantial training inputs. The distinct aspect of such flexibility is that higher labour productivity associated with the aforesaid changes has to be clearly linked with improvisation of both working conditions as well as factor incomes.

It must however be noted that beyond the individual firm's strategy to weather competition, it is a unique status of togetherness that overwhelmingly facilitates firms to achieve flexibility. That geographical concentration of sector-specific firms derive external economies had been pointed out by Alfred Marshall way back in 1890 in his treatment of what he termed the industrial districts. According to him:

'When an industry has thus chosen a locality for itself, it is likely to stay there long: so great are the advantages which people following the same skilled trade get from near neighbourhood to one another. The mysteries of the trade become no mysteries; but are as it were in the air.... Good work is rightly appreciated, inventions and improvements in machinery, in processes and the general organization of the business have their merits promptly discussed: if one man starts a new idea, it is taken up by others and combined with suggestions of their own; and thus it becomes the source of further new ideas. And presently subsidiary trades grow up in the neighbourhood, supplying it with implements and materials, organizing its traffic, and in many ways conducing to the economy of its material'.⁴

The large body of literature in the neo-classical tradition that grew upon the Marshallian industrial districts was 'mostly empirical in nature, focused on scale economies and linkages in physical production. Evidently, such analyses fell short of explaining the complex nature of the evolving forms of industrial organisation'.⁵ However, explaining the 'success' of SMEs in north and central Italy, or the so-called *Third Italy*, Becattini held that one had to go beyond the economic factors to understand how industrial districts functioned. His thrust on the socio-cultural aspects definitely elevated the frame of analysis, at least as far as the qualitative dimension was concerned.⁶ It has been observed that when firms producing similar products cluster, they enjoy collective efficiency, characterised as 'the competitive advantage derived from local external economies and joint action', which greatly promotes business.⁷

Experiences from both developed and developing nations (less from the latter) have suggested that flexibility could either take the 'low road' or the 'high road' or both in order to acquire competitive advantage. The 'low road', an essentially 'destructive' approach, is based on low labour costs and a situation of labour market deregulation that would enhance productivity and profits, and generate jobs. Any institutional/formal mechanism that would regulate competition is undesirable. Alternatively, the 'high road' aims at 'efficiency enhancement and innovation; ... through economic gains that make wage gains and improvements in social conditions feasible, as well as safeguarding workers' rights and providing adequate standards of social protection'.⁸ A recent comprehensive survey based on limited available studies on industrial clusters in developing countries observed that whereas the 'high road' approach was clearly absent, the existence of a mix of both the paths to competitiveness was most apparent.⁹ Given the fact that occurrence of clusters is widespread in developing countries, our knowledge regarding their dynamics is limited. This applies to the Indian context as well, notwithstanding a few useful studies.¹⁰

How do firms survive and grow in a dynamic industrial cluster? To what extent are the flexibility–collectivity attributes, as being debated in the context of new forms of industrial organisation, valid in a typical cluster in a developing country? Does collectivity enhance efficiency? What are the technological and employment effects of such vibrant industrial clusters? These are the basic questions enquired into in this article.

An intensive field survey of twenty-one garment units, mostly belonging to the cluster and a few outside it, was carried out between late 1994 and early 1995, and through extensive interviews both quantitative and qualitative information was collected. Discussions with persons directly/indirectly involved and knowledgeable about the industry also helped in understanding the *modus operandi* of a small firm dominated collectivity.

Emergence of a Garment Cluster in Ahmedabad: Some Antecedents

The history of the growth of the Indian textile industry is inextricably linked with Ahmedabad. With numerous textile mills in existence, some about a century old, if not all in operation, Ahmedabad has had textiles woven into its enterprising culture.¹¹ Despite the growth of the textile industry in many other parts of the country, Ahmedabad has continued to

remain a leading producer of cotton textiles. With the remarkable shift in production technology from handlooms to powerlooms, the volume and range of output have increased manifold.¹² As a natural outcome, apart from meeting the growing consumption demand in the state itself, textile exports to other states have been phenomenal. Notwithstanding the fact that Ahmedabad has been a textile centre of great import, the development of the garment industry has not been as impressive as in some other parts of India, at least till the beginning of the 1980s. It is interesting to note that almost till the mid-1970s, readymade garments, as they are called, were not much in demand in the Indian market. A large proportion of the volume of production of garments was mostly for exports to other countries. It is difficult to specify the precise reasons for the spurt in the preference for readymade garments in the domestic market, particularly since the late 1970s. However, the rise of the Indian middle class, consequent to the unprecedented growth in the service sector around the same period, to a large extent explains the shift in preferences.¹³ The other vital factor that boosted the demand for readymade garments is certainly the cultural transition eventuated through mass media, especially television, and the inevitable fashion hype. Moreover, the print medium in the 1980s also witnessed a 'magazine boom' with an unprecedented growth of specialised magazines, particularly those concerning films, culture and women.¹⁴ Although Ahmedabad continued to produce textiles, the garment industry flourished to begin with, naturally, in Bombay and Delhi, followed by Bangalore and Madras, for the reasons stated earlier.

In response to the burgeoning demand for garments not only from large cities but also from small towns and rural areas all over the country, the garment industry has emerged as an industrial activity to reckon with. The growth of the industry also has a large bearing upon the potential of an expanding export market. Excluding gems and jewellery, readymade garments account for the largest share in manufactured exports from India. The annual compound growth rate of exports of garments during the 1980s has been estimated at 22 per cent.¹⁵ Table 1 shows the rapid growth of exports of garments between 1960–61 and 1990–91. With the gradual opening up of the economy and the shift in policy thrust towards export orientation from the mid-1980s onwards, this industry has pitched its hopes high to becoming a major player in the international market.

The influence of the changes in the socio-economic and policy environment acted as a catalyst towards the promotion of garment units in Ahmedabad. The tremendous growth of the industry can be gauged from

the fact that there were about 2,000 units in the city at the time of the survey.

TABLE 1
Exports of Garments from India, 1960-61 to 1990-91

<i>Item</i>	<i>1960-61</i>	<i>1970-71</i>	<i>1980-81</i>	<i>1990-91</i>
Value of garment exports	0	30	565	4593
Value of manufactured exports	286	791	3927	26600
Share of garments (%)	0.3	3.8	14.4	17.3
Value of all exports	632	1535	6710	32553
Share of garments (%)	0.1	2.0	8.4	14.1

Note: Values are in current prices in Rs crore.

Source: Based on Somnath Chatterjee and Rakesh Mohan, 'India's Garment Exports', *Economic and Political Weekly*, XXVIII-35 (1993), p.M-96.

As is the case with other garment centres in the country, the industry is marked by the existence of large, medium and small units. With the exception of a few large units mostly engaged in exports, the garment industry in Ahmedabad is dominated by small and medium enterprises. The relevant point is that most of these units have typically grown in spatial proximity. Arguably, the geographical agglomeration of units producing similar commodities, or what may be termed an industrial cluster, has been highly dynamic, not only in the production process but also in its continuing attraction to entrepreneurs due to the thriving business.

A majority of the small garment units in Ahmedabad are concentrated in what is known as the old city, where the textile mills are also located. Overpopulated and congested as this part of the city is, these units are either strewn all over the main streets or 'packed' into multi-storeyed buildings. In fact, there are a few buildings with over 300 units in operation in each. Bustling with a variety of manufacturing and trading activities, the old city has been a natural choice for the garment makers to cluster.

With the growth of the garment cluster, there has been a tremendous rise in ancillary activities. In addition to the already existing retail and wholesale dealers in clothing, massive proliferation of specialised shops for thread, buttons, scissors, and clothing accessories such as zips, leather labels and buckrams has taken place in the area during the last fifteen years or so. A fairly well-developed market for sewing machines, electric motors used for power driven sewing machines, gauze machines,

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interlockers, embroidery machines and other components has also been part of the growth of the cluster. A wide range of machine repair units have been established in the region providing vital services to the garment units. Other related services catering to and benefitted by the cluster include advertising, transport and small trading activities. It is important to note that the extensive growth of this cluster and associated ancillary units has been a major source of employment and income in the locality. Deriving its basic sustenance from the output of the local dominant industry, i.e., textiles, the collectivity has contributed to the indigenous economic development of the region. Further, it has been persistent in promoting the industry by actively engaging in producing greater quantity and higher quality output.

Sphere of Production: Technology and Organisation

Being part of the fashion industry, the production of garments has to keep pace with the ever-changing tastes and styles of a modern society. This essentially implies closely following the changes in the design and pattern of garments elsewhere, as well as being able to create one's own. In this overwhelmingly customer driven industry, individual firms cannot normally afford to remain uninnovative and/or sluggish. The critical aspect of firm strategy remains the degree of flexibility and the alacrity of response. The shifts in design/pattern involve not only the ability/adaptability of the available technology to change, but also greater attention to be paid to the quality of the final product.

The concern for using improved technology was widespread in the cluster. In fact, of the twenty-one firms interviewed, four were using only imported machines and ten were using both indigenous as well as foreign machines. These imported machines were from Japan, with noted brand names such as Brother and Juki. In most cases, the machines were purchased through import agencies based in the city itself. The use of second-hand Japanese machines was quite common in the cluster. If some producers could not possess the high-tech machines, it was mostly due to the fact of non-affordability and certainly not due to lack of knowledge. The producers were aware that these machines were much more flexible than the local ones and that they could switch between patterns of stitching without any difficulty. Table 2 summarises the reasons for adopting these high-tech machines, which include sewing machines, gauze machines, interlockers and embroidery machines.

Considering the important reasons cited for the adoption of more

efficient technology, the producers' assiduity for quality and alertness in a situation of changing customer preferences is apparent.

As an alternative to buying expensive imported machines, many firms use second-hand foreign machinery to suit unit specific requirements. The procurement and adoption of this 'intermediate' technology has been possible by the firms through the expertise and cooperation of repair shops, machine suppliers and client firms. This has been facilitated by the existence of a substantial base of both indigenous manufacturing and repairing of sewing machines and other components used by the garment makers. Such local technological capability/mechanical skill has been sustained by and has been instrumental in the growth of the small firm cluster in the region. Importantly, as reported by the respondents, the entire range of required machinery and spare parts, whether new or second-hand, is easily available in and around the cluster.

TABLE 2
Reasons for Adopting New Manufacturing Technology

<i>Reasons</i>	<i>Frequency (%)</i>
Production Related	
< Lead time	14 (100.0)
> Productivity	13 (92.9)
> Quality	13 (92.9)
> Flexibility	12 (85.7)
> Machine speed	3 (21.4)
specially needed for new material	2 (14.3)
> Longevity	14 (100.0)
< Maintenance	13 (92.9)
< Energy use	9 (64.3)
< Other cost	9 (64.3)
> Exportability	4 (28.6)
Labour Related	
> Safety in work	12 (85.7)
Long hours in operation	11 (78.6)
Compensates for skilled labour	4 (28.6)
< Labour cost	2 (14.3)
< Labour disputes	2 (14.3)

Note: Refers to a total of fourteen firms using advanced machinery

< = Reduces; > = Increases

Source: Field Survey

Besides the use of improved, multi-purpose machines, another critical

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dimension in garment making that determines a firm's 'staying power' in the market or, in other words, the ability to ensure a market niche for itself, is the creation and/or adaptation of new designs. Garments are such a product of the fashion industry that generation of numerous new patterns and modifications in existing ones is an unending process.

It is possible for the large established firms to afford much greater access to the latest fashion trends and also to invest in or depend upon specialists in the field. However, this is difficult for the small firms to accomplish, particularly when a large number of competitors are operating within the same geographical space. The imperatives of innovation have prompted small firms to create their own designs within the firm. In fact, in a couple of exceptional cases, we came across entrepreneurs who had developed their own patterns. The albums of self-drawn patterns were strikingly artistic. However, most others acquired the novel designs from different sources. Table 3 presents the reported major sources of product innovation, mainly designs and accessories.

TABLE 3
Major Sources of Product /Process Innovations

<i>Sources</i>	<i>Frequency (%)</i>
Exhibition/fairs	17 (81.0)
Specialised publications	15 (71.4)
Through visits to units in other states	9 (42.9)
Machine supplier/mechanic	6 (28.6)

Source: Field Survey

It is obvious from the table that firms have been interacting with or learning from external sources of innovations for upgrading their products. Even in the absence of the use of modern computerised designing methods, this low cost option cannot be seen as part of a 'low road' syndrome. It may be worthwhile to appreciate the firms' dynamism given the constraints of finance and institutional support provisions in promoting innovative activities in the cluster.

Out-contracting

The prevalence of vertical subcontracting in small firm clusters in developing countries is not without evidence. It has been observed that

clustering facilitates vertical production relations between firms. Where production processes can be vertically disassembled an inter-firm division of labour, based on process and product specialisation, can have positive consequences for economies of scale and scope. Specialisation reduces the capital constraints faced by individual enterprises by distributing capital costs across small firms within the chain.¹⁶

A distinct feature of the organisation of production in the garment cluster has been widespread out-contracting.

In our survey, two-thirds of the respondents reported subcontracting part of their jobs to other units in the cluster. The specific jobs out-contracted are embroidering (thirteen), fitting accessories such as press-buttons and zips as well as interlocking and over-locking (eight), machine stitching (seven), hemming (six), block-printing and fabric printing (three), and cloth cutting (two).¹⁷ It may be noted that these individual activities could vary substantially in terms of requirement of skills and/or machinery.¹⁸ However, in most cases, these subcontractors were home based units and there were specialised units in the cluster especially for embroidering. The growth of process specialised firms has been an important development in the cluster. However, the practice of a full-fledged garment unit acting as a subcontractor to a large firm, as often noted in the context of conventional subcontracting literature, was not generally prevalent in the cluster.¹⁹ Hence, this form of one-way out-contracting by small firms to process specialised units who are not garment makers is, in some ways, both similar to and different from that of the conventional large-to-small subcontracting system. May be, the small firm in this context acts independently and its survival is not appended to that of a large firm.

Different reasons were given by the producers to explain their opting for subcontracting. The most important factor was that they could economise on the limited space at their disposal and also that they did not have to invest in specialised machines. This was a sensible proposition as the need for certain types of specialised activity became pressing depending upon the irregular nature of the demand. The other major reason for subcontracting cited is rather well known, namely, to remain unaffected by labour laws. This implies that the producer is not concerned about labour welfare schemes or any such statutory provisions. Also, in such arrangements, jobs involving long stretches of work could be got done without facing any legal hurdles. Some also mentioned that process specialised units were efficient and quality conscious.

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In order to elicit information on the functional relationship between small firms and job workers, enquiries were made about the physical/financial provisions made by the former. Further, what was the mechanism of coping with a situation where the subcontractors failed to execute the agreement, say, because of delayed delivery or poor quality of the job performed? Table 4 provides the details of the responses received. In view of the magnitude of the frequencies being too small, it may not be proper to generalise for the whole cluster; these may only be treated as indicative of the nature of the prevailing subcontracting practices.

TABLE 4
Nature of Out-contracting

	<i>Frequency (%)</i>		
	<i>Frequently</i>	<i>Occasionally</i>	<i>Never</i>
Mode of Provision/Assistance			
Advance payment	3 (21.4)	4 (28.6)	7 (50.0)
Organisation of production lines	2 (14.3)	3 (21.4)	9 (64.3)
Lending machines/components	1 (7.1)	2 (14.3)	11 (78.6)
Repair/maintenance of machines	–	–	14 (100.0)
Training workers	–	–	14 (100.0)
Providing transport for products	–	–	14 (100.0)
Response to Non-compliance of Contract			
Request for the job to be redone	1 (7.1)	8 (57.1)	5 (35.7)
Deduct part/full payment	–	5 (35.7)	9 (64.3)
Change the subcontractor	–	12 (85.7)	2 (14.3)
Offer supervision to avoid problems	6 (42.9)	3 (21.4)	5 (35.7)

Note: Refers to a total of fourteen firms out-contracting

Source: Field Survey

Quality Control

The adoption of quality control measures consequent upon the exigency of competition has been emphasised as a key feature of industrial clusters. The prevalence of quality checks at every stage of the productive process was noted in the garment units. The entrepreneurs personally verified the final product before ironing and packaging were done. The system of quality control was fairly well developed; this involved conforming to the design specifications and finish of the final product. It was reported that even minor defects or an oversight could result in rejection by the customer, who could always try out other firms within the cluster. Mention

must be made of those firms engaged in exporting garments. These entrepreneurs were aware of the value of the TQC and JIT methods in production and had been rigorously putting these into practice. These producers were using superior quality raw materials and often would halt production if the material available did not match the required standards; compromising quality was considered detrimental to business growth.

It was generally agreed that almost all the required raw materials, accessories, machines and components were available in the local market. Both the range of such products and the quality were considered satisfactory. However, on certain occasions the producers had to procure the required material from outside Ahmedabad or even from major national markets such as Bombay and Delhi. On being asked how they selected the input supplier, or, in other words, whether they changed their suppliers of inputs, an overwhelming number (eighteen out of twenty-one) said that they switched over to various suppliers frequently. This was mainly because the required range and quality of inputs were either not available or below the expected standards. This strive for quality was strong, whether the producers were aiming at the up-market sophisticated customers or the lower-end rural markets.

Operating in the Market

Depending upon an individual firm's ability to produce a certain quantity and range of output, marketing of the products was targeted at different types of consumers. As the cluster comprised of firms using sophisticated machinery and superior raw materials as well as those using average equipment and standard raw material, the market space varied widely. Table 5 gives an idea about the present spread of markets as operated by the firms. It also indicates the firms' preference of market types for the future years.

TABLE 5
Present and Planned Market Types

<i>Location</i>	<i>Frequency (%)</i>	
	<i>Present</i>	<i>Future</i>
Villages	11 (52.4)	3 (14.3)
Small towns	14 (66.7)	5 (23.8)
Cities	16 (76.2)	5 (23.8)
Metropolises	6 (28.6)	11 (52.4)
Abroad	8 (38.1)	15 (71.4)

Source: Field Survey

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As reported by the respondents, most small firms with an average standard of machines catered to the small towns and villages in the state. In fact, they held that the demand for readymade garments had been on the increase in these areas. Their products, using cheaper cloth but often with modern patterns, could be sold at relatively lower prices. Although the market potential in rural and semi-urban areas is substantial, there exists severe competition. Even with ordinary clothes, the stitching and accessories used have to be of high quality. Those firms operating in the urban areas faced tough competition from the established large firms with popular brand names. Again, here, the firms tried to keep their product quality up by following the latest designs, and using special fabrics and exclusive accessories. Eventually, it has become essential to use specialised high-tech gauze machines, and sewing machines that can stitch, for instance, thicker clothes like jeans, tough threads, button pressers and designer embroidery machines. Similarly, high standards of manufacturing are maintained for garments to be exported abroad.

The dynamic competitive atmosphere prevailing in the cluster has, in fact, prompted most entrepreneurs to take up the challenge to enter higher and more sophisticated markets outside. This is reflected in their response regarding the perceived future customer groups. In our survey, more than 50 and 70 per cent of the producers respectively expressed their keenness to supply to metropolitan consumers and customers outside the country. They were confident of being able to upgrade their production process to the exacting requirements of the up-market buyers.

With a view to enhancing sales and marketing in new areas, most respondents had employed their own sales representatives. This is a significant step in marketing by small firms. Further, transactions through retail and wholesale traders, who have grown rapidly in the locality during the last decade or so, have been very common in the cluster. Those units producing for the international market deal with export agents available in the city or even in Bombay. It is interesting to note that these small firms, unlike in some clusters for other products in the state, e.g., flooring tiles and clocks, do not prefer to sell directly to the individual customer. This has indirectly encouraged retail sales outlets to grow in the locality. The producers held that bulk sales, even with a low profit margin, had an encouraging impact on their business.

Each garment unit, specialising in not more than two product types,²⁰ had distinct brand names for its products. Whilst product differentiation is the most crucial strategy for survival in a closely contested market, product promotion also assumes significance. Advertising in the local

media—newspapers, magazines and at film theatres—is carried out by all the firms in a consistent manner.

Inter-firm Relationships

Competitive Strategies

Inter-firm competition/rivalry is both an inevitable consequence and an indispensable element of clustering. Irrespective of the relative strengths of its positive and negative attributes, heightened business dynamism is effected through the explicitly competitive ambience in a cluster.

In keeping with the type and quality of garments manufactured, different firms catered to and aimed at different markets. When asked whom they considered their potential competitors, one thing was clear that large established firms were outside their purview: The point was that the domestic market for relatively cheaper and standard garments was so large and varied that it was important to reach as many customers as possible. With the tremendous rise in small and medium firms in the garment sector, both within and outside the state, the most intense competition was between small firms, especially those within the cluster. As Table 6 suggests both small and medium firms, based locally within the state and outside, were seen as important competitors. In two firms which exported their products abroad, competition from foreign firms was considered vital. It was observed that unlike individual, spatially segregated producers, firms in a cluster are much more conscious of their competitive status.

TABLE 6
Actual and Potential Competitors Within/Outside the Cluster

<i>Base of Competitors</i>	<i>Small</i>	<i>Medium</i>	<i>Large</i>
	<i>Freq. (%)</i>	<i>Freq. (%)</i>	<i>Freq. (%)</i>
Local	10 (47.6)	2 (9.5)	–
Within state	4 (19.0)	2 (9.5)	–
Outside state	4 (19.0)	3 (12.3)	–
Abroad	–	1 (4.8)	1 (4.8)

The decisive issues in competition could vary from product types to the nature of production organisation. On asked about their perceived vital elements of business on which the competitive edge between firms existed in the cluster, a number of factors were reported (Table 7). A heavy emphasis on the range of designs as a major competitive strategy

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highlights the issue of product differentiation. In fact, it is this necessity to be able to cater to highly varied customer preferences that has encouraged innovative activity in the cluster. The concern for quality of the final product is also obvious in their responses. Further, the drive to capture existing market niches or to create new ones is reflected in the enhancement of the marketing network, persuasive product promotion through advertising, concessions on bulk purchases and, most importantly, delivery of the goods on time. Some, however, felt that locations in cities with a greater demand for garments, particularly Bombay, Delhi and Bangalore, would be a natural advantage in competition. In addition to the aforesaid main factors in competition, while one producer felt that higher wages to skilled workers could result in higher quality output, another was of the opinion that cordial business dealings could attract customers/traders to a specific unit in a cluster.

TABLE 7
Critical Issues in Competition

<i>Factors</i>	<i>Frequency (%)</i>
Range of designs	20 (95.2)
Sales network	15 (71.4)
Price	14 (66.7)
Sales promotion	12 (57.1)
Prompt delivery	12 (57.1)
Product quality (finishing)	11 (52.4)
Locational advantage	10 (47.6)
Volume of output	8 (38.1)
Skilled labour	7 (33.3)
Technology	5 (23.8)

Source: Field Survey

It may be noted that with relatively smaller investments and the existence of ample provision of machines, components and raw materials locally, the incentive to set up garment units in the cluster is very high. Moreover, as stated earlier, the product enjoys an excellent and growing market demand. This has eventually led to a spurt in entrepreneurial entry into the business. For many, the struggle to survive and grow in the cluster has implied adopting various strategies to out-compete fellow producers. Table 8 presents some of the most widely prevailing practices in the cluster, expressing the nature of inter-firm rivalry.

The obviously negative practices, notably copying designs/patterns

and imitating trade marks, were widespread and could have serious implications for innovative and enterprising firms. Referring to Table 3, it is easy to note that the unscrupulous practices relate directly to the critical areas of competition. This is a matter of concern as far as the potential of collectivity as a dynamic form of industrial organisation is concerned. In a fiercely competitive scenario, firms often evince such tendencies that perpetuate the 'low-road' syndrome.

TABLE 8
Practices Reflecting Inter-firm Rivalry in the Cluster

<i>Nature of Practices</i>	<i>Frequency (%)</i>
Copying designs/patterns	21 (100.0)
Imitating trademarks	12 (57.1)
Wooing customers	10 (47.6)
Obtaining information from workers about competing firms	8 (38.1)
Misinforming/misleading customers/traders about competitors' products	8 (38.1)
Creating hindrances in services used by other firms	6 (28.6)

Source: Field Survey

Cooperative Ethos

Besides and despite competition, the single most important phenomenon which has in more than one way revitalised the enthusiasm in the collectivity of small firms, is inter-firm cooperation. Although such a cooperative ethos does not necessarily prevail to its fullest extent everywhere, mounting evidence of its beneficial role in promoting the small business climate underscores the social embeddedness of economic behaviour. The role of the social milieu in furthering mutuality of interests could broadly be seen essentially at a community/social level and/or business association level. Whereas the nature and extent of the former could depend vitally on the degree of trust between individual firms, the latter is based on the exigency of achieving common business aspirations.

Most respondents agreed that some form of mutual support tendencies existed in the cluster. However, it was to a large extent confined to intra-community relationships. Table 9 lists the forms of firm cooperation in the cluster. Short-term financial assistance was most prevalent between firms. Often firms procured raw materials jointly, so as to reduce the cost through shared transportation and also to avail of the advantage of bulk

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purchase. Other forms of cooperation during exigencies, particularly sharing labour or machines, to meet situations of large supply orders or machine breakdowns were also reported, but not commonly. To some extent, the rather limited cooperation between firms could be related to the existence of diverse communities often with marked cultural traits. For instance, our respondents represented such distinct community groups as Sindhis, Jains, Baniyas, Darjis and Patels. However, irrespective of intra-community ties, there existed friendly relations amongst producers in the cluster; this was agreed to by all the respondents. Twelve out of the twenty-one firms surveyed stated that they discussed problems concerning their business with fellow producers. However, the practice of visiting each other's firms was a rare occurrence; such visits, if any, conventionally remained limited to the office only and never to the adjacent manufacturing area. Two-thirds of the respondents observed that linking business activities with a few others in the cluster was desirable and would be beneficial. As a mark of friendly relations, producers often cautioned fellow producers against any unreliable suppliers/traders or a difficult situation they may have experienced.

TABLE 9
Forms of Firm Cooperation

<i>Forms of Cooperation</i>	<i>Frequency (%)</i>
Inter-firm/Social Level	
Financial help, short term	8 (38.1)
Help in procuring inputs	7 (33.3)
Provision of labour during shortage	4 (19.0)
Lending machines/components	3 (12.3)
Providing other services	3 (12.3)
Association Level	
Sales promotion (mainly through fairs/exhibitions)	19 (90.5)
Assistance in legal matters	12 (57.1)
Information on products/machinery	10 (47.6)
Helping units in government policy matters	9 (42.9)
Marketing	8 (38.1)

Source: Field Survey

The prevalence of a cordial or, at least, non-antagonistic social relationship and the felt needs of the cluster as a whole have augmented the necessity of collective action. The formation of the Gujarat Garment Manufacturers Association (GGMA) has been a remarkable instance of

business solidarity. Most garment manufacturers in the cluster and outside are members of the GGMA. In addition to the GGMA, some have also taken membership of the Clothing Manufacturing Association of India (CMAI), based in Bombay. Discussions with the executives of the GGMA, entrepreneurs and other individuals directly or indirectly involved with the industry revealed the active role played by the association. Formed spontaneously, the GGMA has been making various efforts to promote local business and standards of production. Largely due to its close interaction with the state authorities, the association has been able to negotiate with the government to establish an export processing zone in Gandhinagar, the state capital. Once complete, the garment manufacturers will have much greater access to both international technology and markets.

An outstanding contribution of the GGMA (as well as the CMAI) has been the organising of garment exhibition/fairs on an annual basis. This has provided a major boost to the small firms to display their products and learn from others' work and, above all, has vastly widened market contacts. It has attracted both entrepreneurs as well as dealers/traders from all parts of Gujarat and from neighbouring states. The enthusiasm created by these fairs is immense. The association is also an important source for both product and process innovations. Through procured published materials, national and international, the association keeps its members informed about the latest trends in the business. Further, the association is used as a medium between the government and the manufacturers in procedural and general policy matters. Over half the respondents mentioned GGMA's assistance in firm specific legal constraints. With growing membership, the local business association is a clear example of the effectiveness of collective and cumulative action.

The Predicament of Employment

An inherent dimension of small firm manufacturing, evidently in the developing countries, has been the precarious condition of labour. This is not simply consequential to the overwhelming verity of the existence of surplus labour in these countries; it also has a bearing upon the technology used and the nature of organisation of production. The characterisation of small firms in the informal sector as 'sweatshops' highlights the exploitative conditions under which workers toil. In the move towards attaining flexibility and dynamism in industrial clusters in developing countries, the phenomenon of 'squeezing labour more than innovation' clearly

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makes a break with the 'euphoria' generated by the flexibility–collectivity debate in the developed country context.²¹ Although, as mentioned by Cawthorne in her study on Tiruppur's cotton knitwear cluster, skilled and experienced workers could actually start their own (often one-man) enterprises,²² the situation is not favourable for most workers in most clusters. Even the bargaining position of labour is dependent upon their unionisation and, if so, its relative strength. Moreover, the disadvantaged position of women workers in such production processes also raises serious questions.

In the garment cluster of Ahmedabad, employment opportunities have grown substantially over the last decade or so. With increased emphasis upon the quality of the final products and the concomitant use of specialised machines, the demand for skilled labour has increased rapidly over the years. All the respondents mentioned the non-availability of skilled workers as a major constraint in their business. However, in a number of processes of garment making, such as ironing, sorting, packaging and hand-stitching, semi-skilled or even unskilled workers can perform competently. Although women workers were employed by certain firms, in most cases the workforce was predominantly all male. However, in two units manufacturing exclusive fashion garments for women, over three-fourths of the workers were female. Also, in a relatively larger unit with a total labour strength of thirty, women workers numbered twenty. In general, most of the units in the cluster had men as specialist workers, especially for cloth cutting and supervising the tailoring process. Wages were determined on a piece rate and the nature of skill involved. Interestingly, whereas the skilled workers pursued single specialised activities, the semi-skilled and unskilled workers could be shifted between tasks requiring limited skills.

A majority of the workers in the cluster belonged to the local area or adjacent rural areas; there were workers from other states also. In our survey we came across four units employing workers from other parts of the state or different states, particularly Uttar Pradesh, Rajasthan, Tamil Nadu and Kerala. The workers belonged to various communities; while no distinction was made between communities of workers, a general preference/appreciation for the skilled migrant Muslim workers from Uttar Pradesh was reported by many.

The terms of employment varied between firms. Although most workers were employed on a temporary basis, there were firms (in our survey these numbered ten) where either all or a few were reported to be 'permanent' workers. They were, in most cases, skilled personnel. It may

be noted that nothing is statutory about the status of permanency. It only connotes long years of uninterrupted service by a worker in a particular firm.

The labour turnover, as in most developing country clusters, is very high. This applies both to skilled and unskilled workers. Although the workplaces were relatively cleaner and better organised, in most cases, due to space constraints, the working areas were congested and generally located in make-shift attics/structures. With very little provision for ventilation and even proper sitting arrangements, workers put in at least ten hours of labour per day. The sophisticated offices could not be taken as an indication of the state of the work areas practically across the panelled walls. But a few units, especially geared for the up-market, had better working spaces. In response to queries on the facilities/incentives being extended to the workers, over 80 per cent of the firms reported giving an annual bonus to employees and loan advances in specific cases. Weekly (instead of monthly) payment of wages was in practice in about ten of the surveyed units. A firm's obligation to its workers did not go beyond this. The workers were neither covered by the Employees' State Insurance and Provident Fund Schemes, nor did any specific welfare provision, especially medical, exist. The owners were disinterested about their workers' welfare as basically the entire workforce did not have any statutory status, or, in other words, remained temporary *de jure*. In a situation of excess supply of labour, with the exception of highly skilled ones, and low levels of remuneration, the firms are able to manage business profitably.

The temporary status of jobs and the low incomes have added to the insecurity of the workers in the cluster. This observation matches those made with reference to the entire garment industry in the small and medium sectors of the country.²³

Responding to the Macro Policy Environment

The Indian garment industry is characterised by its highly diverse and decentralised production base 'almost entirely' in the private sector.²⁴ Surviving and growing, especially as small firms, would imply competing for and creating niches in a customer driven market. Given typical constraints of finance and new technology acquisition, small firms do derive certain advantages from being small and also from being part of a cluster. Table 10 highlights the major advantages and disadvantages accruing to the sample firms. A significant positive aspect, as reported by

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fifteen (71 per cent) respondents, remains the entrepreneurs' ability to manage/control their firms, both financially and in terms of organising themselves to tackle fluctuating demand and supply situations. The single most advantageous factor of being part of a collectivity is accessibility to a large number of customers with a wide range of preferences. The ready availability of services and raw materials at reasonable prices certainly provides enough room for manoeuvrability, whereby firms can make the best of a highly calibrated market structure.

TABLE 10

Advantages and Disadvantages of Being a Small Firm and Being Part of a Cluster

<i>Item</i>	<i>Frequency (%)</i>
Advantages	
<i>Of Being Small:</i>	
Can manage business easily	15 (71.4)
Can avail government benefits	7 (33.3)
Can bypass labour laws	2 (9.5)
<i>Of Being Part of a Cluster:</i>	
Can have large number of customers	13 (61.9)
Services and raw materials available readily at reasonable prices	9 (42.9)
Fragmented by order suppliers	3 (14.3)
Disadvantages	
<i>Of Being Small:</i>	
Cannot enter national market	3 (14.3)
Complaints of quality from customers	2 (9.5)
<i>Of Being Part of a Cluster:</i>	
Interference in business by fellow producers	6 (28.6)
Copying designs/patterns, hampering innovativeness	2 (9.5)

Source: Field Survey

The nature and content of competition have, however, been undergoing changes with the opening up of the economy virtually since the mid-1980s. Views on the implications of the liberalisation process for small garment makers have been presented in Table 11. More than half the respondents felt that the GATT-94 would benefit the large units who could out-compete them in terms of both volume and range of output. A few firms reported that the entry of foreign firms into the business would curtail their chances of competing, both in the local and international markets. That the large and/or foreign firms would be able to supply products on a long-term credit basis was considered a limitation with the

small firms. Despite these apprehensions, a large proportion of the respondents (71 per cent) observed that the new policy regime would certainly multiply the overall demand for their produce and that they would still be able to cater to a segment of it. In fact, some hoped that externalisation would embolden them enough to face the competition at the international level by providing them access to the latest technology and trends in demand. Further, their understanding of the needs of the large domestic market would be a relative advantage over the foreign firms at least. Whereas the move towards liberalisation was generally favoured, the state had to create a support system conducive to competition. Interestingly, most respondents suggested the need for a training and design institute along the lines of the National Institute for Fashion Technology, New Delhi. This, they observed, would equip them with the latest information on process and product development, indicating their concern for quality and their inclination to participate in global trade. Reduction of sales tax, simplification of labour laws and prevention of interference by factory inspectors were cited as facilitators to business growth. Excessive delays, up to two years in certain cases, in considering applications for trade marks have encouraged duplication by unscrupulous firms. In removing these constraints, state intervention was essential.

TABLE 11
Problems and Prospects for Small Firms under Liberalisation

<i>Item</i>	<i>Frequency (%)</i>
Problems	
Large firms would take the advantage of GATT-94	12 (57.1)
Difficult to compete with foreign firms (on technology and capital accounts)	4 (19.0)
Difficult to comply with increased credit demand of suppliers	4 (19.0)
Prospects	
Bright future as demand would multiply	15 (71.4)
Large, medium and small will gain equally	6 (28.6)
Will encourage export business	2 (9.5)

Source: Field Survey

Concluding Observations

Understanding the dynamics of collectivity in developing countries has emerged as an important area of concern, especially following the

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significant achievement made by small and medium firms in a number of highly industrialised nations. Whereas it is held that firms in a cluster could derive collective efficiency gains, and display technological and organisational dynamism, much remains to be learnt from the actual situation.

The case of the garment cluster highlights the entrepreneurial concern for quality through adoption of improved technology and stricter supervision of production. Process innovativeness through knowledge acquired from various sources seemed a positive aspect of the cluster. Catering to a highly segmented market, the small firms have been striving to be flexible, at least to the extent affordable. Despite severe competition, which has prompted negative practices by unscrupulous firms, joint action through business associations has been a significant phenomenon of the cluster. Concerted efforts towards the collective promotion of business through information sharing and organisation of fairs not only signify the strength of networking facing the challenge of competition from the big and powerful, but also the firm's role as a responsive element in a mutually competing collective. Even in the presence of entrepreneurial dynamism to face the challenge of growing, new competition collectively, the state's responsibility to provide 'real services'²⁵ to the cluster and to minimise the procedural interferences assumes critical importance. The most distressing aspect in such clusters has often been the precarious condition of labour. While the pressure to survive and grow in a highly competitive ambience has certainly enhanced technological/organisational dynamism in the cluster, providing safe and remunerative employment remains a neglected issue.

Notes

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1. See, for instance, Michael J. Piore and Charles F. Sabel, *The Second Industrial Divide: Possibilities for Prosperity* (New York: Basic Books, 1984); Frank Pyke and Werner Sengenberger (eds), *Industrial Districts and Local Economic Regeneration* (Geneva: International Institute of Labour Studies, 1992); D. Friedman, *The Misunderstood Miracle: Industrial Development and Political Change in Japan* (Ithaca and London: Cornell University Press, 1988); and Philippe Regnier, 'The Development of Small and Medium Enterprises in the Asian NIEs: Business Opportunities for Western Europe?',

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- in Manfred Kualessa (ed.), *The Newly Industrialising Economies of Asia: Prospects for Co-operation* (Berlin: Springer-Verlag, 1990).
2. Piore and Sabel, *The Second Industrial Divide* (no. 1 above), p. 17.
 3. Khalid Nadvi, 'Flexible Specialisation, Industrial Districts and Employment in Pakistan', Working Paper No. 232 (Geneva: International Labour Office, 1992), p. 4.
 4. Alfred Marshall, *Principles of Economics* (London: ELBS and Macmillan, 1974), p. 225.
 5. Keshabananda Das, 'Industrial Clustering in Developing Countries', *Productivity* (Special issue on Small Scale Sector), XXXV-1 (1995), p. 37.
 6. He visualised the industrial district as 'a socio-territorial entity which is characterised by the active presence of both a community of people and a population of firms in one naturally and historically bounded area. In the district, unlike in other environments, such as manufacturing towns, community and firms tend to merge', Giacomo Becattini, 'The Marshallian Industrial District as a Socio-economic Concept', in Frank Pyke, Giacomo Becattini and Werner Sengenberger (eds), *Industrial Districts and Inter-firm Cooperation in Italy* (Geneva: International Institute of Labour Studies, 1992), p. 38.
 7. Hubert Schmitz, 'Collective Efficiency: Growth Path for Small-Scale Industry', *The Journal of Development Studies*, XXXI-4 (1995), p. 530.
 8. Frank Pyke and Werner Sengenberger, 'Industrial Districts and Local Economic Regeneration: Research and Policy Issues', in Pyke and Sengenberger, *Industrial Districts* (no. 1 above), pp. 12-13.
 9. Khalid Nadvi and Hubert Schmitz, 'Industrial Clusters in Less Developed Countries: Review of Experiences and Research Agenda', Discussion Paper No. 339 (Brighton: Institute of Development Studies, 1994), p. 44.
 10. These studies include: S.P. Kashyap and R.S. Tiwari, *Shaping of Diamonds in Surat: Some Passus (Facets)*, Monograph Series 12 (Ahmedabad: Sardar Patel Institute of Economic and Social Research, 1986); P. Cadene, 'Development in a "Backward Area" as a Result of General Development: A Case Study of the Marble Industry in a Tehsil of South Rajasthan' (Brighton: Institute of Development Studies, 1989, mimeo.); P. Knorringa, 'Lack of Interaction between Traders and Producers in the Agra Footwear Cluster' (Amsterdam: Faculty of Economics, Free University, 1993, mimeo.); Meenu Tewari, 'Understanding the Historical Conditions of Resilience in Ludhiana's Industrial Regime' (Cambridge, MA: Department of Urban Studies and Planning, Massachusetts Institute of Technology, 1993, mimeo.); Mark Holmstrom, 'Bangalore as an Industrial District: Flexible Specialization in a Labour-surplus Economy', *Pondy Papers in Social Sciences* No. 14 (Pondicherry: French Institute of Pondicherry, 1994); Padmini Swaminathan and J. Jeyaranjan, 'The Knitwear Cluster in Tiruppur: An Indian Industrial District in the Making?', Working Paper No. 126 (Madras: Madras Institute of Development Studies, 1994); Pamela M. Cawthorne, 'Of Networks and Markets: The Rise and Rise of a South Indian Town, the Example of Tiruppur's Cotton Knitwear Industry', *World Development*, XXIII-1 (1995); and Keshabananda Das, 'Collective Dynamism and Firm Strategy: The Flooring Tile Cluster in Gujarat, India' (Brighton: Institute of Development Studies, 1995, mimeo.).
 11. 'The city was among the first, preceded only by Bombay by a few years, to start cotton manufacturing in India; it could well have been the first but for the conspiracy of some fortuitous circumstances. The size of its cotton industry has been second only to that

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of Bombay which has a population several times larger. More importantly, while Bombay and other smaller centres of cotton production developed a variety of industries, textiles have remained the backbone of the industrial economy of Ahmedabad because of which the city is called the Manchester of India', Dwijendra Tripathi, 'Birth, Growth and Death of Firms in a Proto-industrial Economy: The Experience of the Ahmedabad Textile Industry, 1858-1929', *The Indian Historical Review*, XVI-1 and 2 (1989-90), p. 163.

12. Morris D. Morris, 'The Growth of Large-Scale Industry to 1947', in Dharma Kumar (ed.), *The Cambridge Economic History of India, Volume II: c. 1757-c. 1970* (Hyderabad: Orient Longman, 1984), p. 673.
13. See, 'Emergence of the Middle Class' (Chapter 20) and 'The Changing Consumption Habits and Lifestyles' (Chapter 21), S.L. Rao, *Economic Reforms and Indian Markets* (Allahabad: Wheeler Publishing, 1992).
14. Tara S. Nair, 'The Modern Indian Press: Growth, Performance and Ownership', *Journal of Indian School of Political Economy*, VII-3 (1995).
15. Somnath Chatterjee and Rakesh Mohan, 'India's Garment Exports', *Economic and Political Weekly*, XXVIII-35 (1993), p. M-95.
16. Nadvi and Schmitz, 'Industrial Clusters' (no. 9 above), p. 14.
17. Figures in brackets show number of firms out-contracting a specific activity. These may be compared with the total of fourteen subcontracting firms in the sample units.
18. Interestingly, similar features were observed in the shoe clusters of Sinos Valley and Agra. See, Hubert Schmitz, 'Small Shoemakers and Fordist Giants: Tale of a Supercluster', *World Development*, XXIII-1 (1995); and Knorringa, 'Lack of Interaction' (no. 10 above).
19. One respondent, who was producing mainly for exports, reported that the stitching job was subcontracted to another garment firm instead of a process specialised unit in the cluster.
20. Product types include: shirts, trousers, frocks, baba suits for young boys and girls, adult wear including salwar-kameez and jeans, industrial wear, and miscellaneous textile products such as handbags, vanity bags and cushion covers.
21. For insightful observations, see, Hubert Schmitz, 'Small Firms and Flexible Specialization in Developing Countries', *Labour and Society*, XV-3 (1990); and Regina M.A.A. Galhardi, 'Flexible Specialisation, Technology and Employment: Networks in Developing Countries', *Economic and Political Weekly*, XXX-34 (1995), pp. 127-28.
22. Cawthorne, 'Of Networks and Markets' (no. 10 above).
23. Chatterjee and Mohan, 'India's Garment Exports' (no. 15 above).
24. *Ibid.*
25. Sebastiano Brusco, 'Small Firms and the Provision of Real Services', in Pyke and Sengenberger, *Industrial Districts* (no. 1 above).