

Business Case No. (5)



Business Case

**Aster Tekstil,
Investment in new technologies
to improve lead time management
and raise CSR standards**

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INTRODUCTION

A business case has two primary objectives:

- To present decision-makers with key information about social initiatives in term of responsible supply-chain management in a consistent, balanced format that facilitates the evaluation, comparison and prioritization of competing initiatives.
- To guide a group of suppliers, buyers and managers in developing their vision and plans to prepare for responsible initiatives.

A RESPECT Business Case is designed to provide a common starting point for discussion and illustrations during the RESPECT training and coaching sessions. However, no two business cases are the same.

This case study shows a supplier's example that is looking to sustainable solutions to cope with high quality and CSR requirements in a very competitive market.

Investment in technology can help suppliers improve their internal systems such as production planning, lead time management and productivity and at the same time, improve their impact on working conditions and the environment. Stronger internal management systems also positively impact on communication and collaboration with buyers for longer-term partnerships.

TABLE OF CONTENT

INTRODUCTION.....	2
EXECUTIVE SUMMARY.....	4
1 BUSINESS NEED AND CURRENT SITUATION.....	5
2 COMPANY DESCRIPTION.....	6
3 BEST PRACTICES PRESENTATION.....	8
4 RESULTS AND RECOMMENDATIONS.....	9



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EXECUTIVE SUMMARY

Aster Tekstil is a Turkish garment manufacturer with effective social and environmental practices. Aster Tekstil strives to implement CSR through out its production. For Aster Tekstil, CSR is not a marketing strategy, but a way to establish practical and sustainable practices into their business.

Aster Tekstil collaborates with its suppliers, customers and employees to create a collective consciousness regarding sustainability. As part of their CSR strategy, the company has invested increasingly in technology to improve working conditions and their environmental impact. They control their energy consumption and work to increase production efficiency. The company's innovative water-saving and waste management programs, for example, can be used as a model for other companies in the region.

Aster Tekstil strives to implement CSR not for corporate success, but to improve their impact in the community and on the environment.

1 BUSINESS NEED AND CURRENT SITUATION

The textile sector plays a significant role in facilitating economic growth due to its rates between the export incomes and provides an added value in production period.

Turkey is the biggest textile producer and third biggest exporter in Europe. With high production quality, innovative designs, and advanced technology, the Turkish textile sector has established itself as one of the leading producers in the world.

The Turkish Textile Sector has strong communication, flexible production volumes and quality, price rations, fast-delivery and is a close market to Europe. Despite these advantages, the industry must compete with Asia, which has comparatively low prices and labour costs. This added competition poses a threat to Turkey's ability to comply with corporate responsibility.

Lead-time, especially, is an important factor, which can often jeopardize CSR. While lead-time averages usually between 12-18 weeks in the Far East, Turkey's average is around 6-8 weeks. Thus, there is pressure to continue this fast supply-chain to Europe. This has created major challenges, and forced Turkish companies to sacrifice CSR. Although technology has been implemented to improve speed, most of the manufacturers do not control the suppliers of raw materials. In this this area, delivery of raw materials takes a long time, while production and delivery is quite fast. Besides this, corporate social responsibility is considered as an issue that must be well implemented in factories because at the present time even consumers have started to think about social responsibility of factories.

In summary, manufacturers must continue to integrate CSR into their everyday business, acting as an example and model for other companies along the supply chain.

2 COMPANY DESCRIPTION

Aster Tekstil was founded in 1993 as a knitted cotton manufacturer. Today, 90% of the textiles produced are for women. The company supplies well-known retailers across Europe, including S. Oliver, Tesco, Marks & Spencer, Esprit, Reiss, Mango, Topshop, Debenhams, Bestseller and Matalan.

With an overall monthly output of 1.250.000 pcs, the company has two factories hiring 600 individuals, one in Istanbul and the other Southwest Turkey. The latter, with 25.000-sqm of production area, is seen as more efficient and socially compliant.

Since 2008, the company has established an ERP module.¹ With this new module, they have succeeded in improving planning production, quality and CSR control.

Aster Tektstil is committed to protecting the environment, and have made every effort to combat climate change, deal effectively with waste, and conserve natural resources. Because of these efforts, M&S has recognized Aster Textile as an Eco-Factory in 2011.

Aster Textile has created awareness about the environmental issues not just within its factories, but also amongst its suppliers. In accordance with its environmental campaign, in 2012 Aster Tekstil disseminated a publication on what they're doing for a greener planet.

¹ ERP is an acronym for Enterprise Resources Planning and it integrates the various functions into one complete system in businesses and those various systems are essential to running a business, including customer relationship management, sales and marketing, production, inventory and order management, human resources, accounting and beyond.

The central feature of all ERP systems is a shared database that supports multiple functions used by different business units. In practice, this means that employees in different divisions—for example, accounting and sales—can rely on the same information for their specific needs.

The major benefits of ERP are to improve coordination across functional departments and increase efficiencies of doing business. The immediate benefit from implementing ERP systems is to reduce operating costs, such as lower production costs, lower marketing costs and lower help desk support costs.

The other benefits from implementing ERP systems are facilitation of day-to-day management. The implementations of ERP systems nurture the establishment of backbone data warehouses. ERP systems offer better accessibility to data so that management can have up-to-the-minute access to information for decision-making and managerial control.

ERP can also be responsible for altering how a product is manufactured. A dating structure can be set up which can allow the company to be informed of when their product should be updated. This is important, because it will allow the company to keep better track of their products, and it can allow the products themselves to be produced with a higher level of quality. When a company receives orders for a product, being able to properly track the orders can allow the company to get detailed information on their customers and marketing strategies. This system will affect the CSR system accordingly.

When it comes to the brand, S. Oliver was founded by Bernd Freier as retail outlet with the name of “Sir Oliver” in Wurzburg in 1969. Nine years later it was renamed S. Oliver. Selling accessories, casual clothing, shoes, socks, beachwear, loungewear etc. S. Oliver is one of Europe’s largest fashion retailers. It currently employs over 7000 people worldwide and in 234 of its own stores, 2300 shops and 3000 stores all over the world. Manufacturing locations for S. Oliver products are mostly in Asia, Western and Eastern Europe. The brand aims for authenticity, tradition, excellent quality and genuine products at fair prices.

3 BEST PRACTICES PRESENTATION

Aster Tekstil is a good model for the implementation of innovative social and environmental strategies. The company has implemented an “ERP (Enterprise Resource Planning)” module initially in its factories, and since has instigated the module across all departments. Another critical path program (CPP) has been integrated into this module. Within this module, all departments can view the production plan and deadlines. Directors first enter the required data into the module. The CPP defines buying criteria and the availability of orders is negotiated at the weekly meetings in accordance with shipment dates.

Using the CPP, shipment delays are decreased to minimum and estimated long before they happen. Since scheduling is based on the planned CPP, production planning is more effective. As a result of the production timetable, overtime hours have decreased over the last three years. Improvement in working conditions has had a positive impact on lead times and quality including benefiting workers.

This module also helps factory improve their communication with the brands. The factory relies on the centralized management to carry out the program. This prevents repeated data entries and thus the reliability of data is increased. Most importantly, in order to increase transparency, Aster Tekstil has started to share data with their customers and suppliers in an electronic platform.

In order to successfully implement these improvements, the factory management must be vigilant, since the monetary and time requirements for this program are large. It will take at least two years for the factories to see the benefits and positive impact of the module.

In respect to environmental sustainability, the factory has continued to arrange conferences and trainings in order to create a collective consciousness regarding CSR. Using a variety of methods, including documentaries and activities, the factories have worked to train their employees to uphold environmental standards. The factories have also striven to control their energy consumption and production. For example they have increased decreased water consumption by 60% with an eye to the growing water shortage affecting the 2 million people in the region. They have also generated their own waste management plan, which is seen as successful.

4 RESULTS AND RECOMMENDATIONS

As a result of these efforts, social and environmental sustainability has increased in Ater Tekstil's factories. Unfortunately, most the manufacturers in the region have refrained from investing in new technology to improve CSR, believing the costs are too high. Most prefer to use simple computer programs to report production or keep track of documents. If this is the case, the interpersonal connections within the companies must be improved to ensure transparency and coordination. By investing in the ERP module, Aster Tekstil has ensured that that transparency is increased and everyone has access to information on deadlines and decisions. The most important benefit of this module is to improve the production capacity for the factory. As a result, this well-implemented planning affects CSR, improving the number of working hours, overtime and workers' happiness.

The program also ensures that the factory has an increased awareness of the environmental health through worker trainings and programs.

Looking at Ater Tekstil's success, it is clear that their program can be used as model for other companies both nationally and internationally.

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For further information please consult:

- The RESPECT website www.responsible-practices.eu
- The case studies: www.responsible-practices.eu/index.php/m-r-factory/m-cases