



Change Driven to Success Case Study on Screenline Holdings (Pvt) Ltd, Sri Lanka

**Staff Development Unit
Faculty of Commerce and Management Studies
University of Kelaniya, Sri Lanka**



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A Case Review

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Preface

Our desire in writing *Change Driven to success* was to provide faculty with a developed teaching package that allows them to enhance students' learning and application of knowledge in business management. Appropriate use of theory and the acquisition of factual content and analytical skills are also important goals, but the main objective is to improve the ability of handling different types of managerial problems and opportunities intelligently.

This case study book depicts a wide range of business management applications specially focusing on Entrepreneurship Development, Strategic Management, Management and Financial Management etc. Sufficient information is given in each module to support students in analyzing and decision making.

The *Change Driven to success* reflects on the identified structural change in Screenline Holdings (Pvt) Ltd. which is one of the Sri Lanka's largest screen printers and embellishers. This book comprises with five modules and each module ends with a *contribution to practice* to assist students in combining theoretical aspects with emerging workplace realities.

This case study book submitted in partial fulfilment of the requirement for Staff Development Programme, Faculty of Commerce and Management Studies, University of Kelaniya conducted for Probationary and Assistant Lecturers.

Acknowledgement

We would like to express our sincere thanks to Mr. Nishantha Kumara Bakmeege - Chairman/Managing Director, Screenline Holdings (Pvt) Ltd. for his tremendous support for completing this task successfully.

Also we would like to express our gratitude to Mrs. Thanuja Dilhani Bakmeege - Director, Mr. Dulip Gayan Ranchagoda - Assistant Manager Finance, Mrs. R. H Priyanga Perera - Manager Technical/ R & D, Mr. Ajith Perera - General Manager; BNK Trading (Pvt) Ltd., Mr. M . A .S. Eranjith Perera - Head of Graphic and Mr. Kanishka Wijayasiri – Director, for their invaluable support throughout this project.

We also wish to thank Mr. D.M.Ravi Dissanayake, Director-Staff Development Unit, Faculty of Commerce & Management Studies, University of Kelaniya for his enthusiasm, patient and support for making this effort a success.

“A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so.”

Mahatma Gandhi

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*Commitment leads to action. Action brings your
dream closer*

– *Marcia Wieder*

The world's garment and textile industry plays a very important role in the global economy. Encompassing clothing, textiles, footwear and luxury goods, it reached USD 3 trillion in turnover in 2011. The Global Textile Industry, particularly the Apparel Industry has seen remarkable changes in the past few years. The days are gone when textile garment industry was concentrated in the consumption hubs of US, EU and other developed countries of the world. Screen printing is a method of creating an image on paper, fabric or some other object by pressing ink through a screen with areas blocked off by a stencil. This technique is widely used both for making fine art prints and for commercial applications, such as printing a logo on fabric.

The export-oriented production of clothing or the readymade garment industry in Sri Lanka has begun in the 1970s and expanded rapidly after the introduction of trade liberalization of economy in 1977. Sri Lanka's apparel industry has grown to be nation's one of the leading contributors to the export revenue. Being the single largest employer in the manufacturing sector

the apparel trade grants close to 75% of Sri Lanka's employment either directly or indirectly.

Embellishment is an important node in the production network of the garment industry. This activity symbolizes high value addition to a cloth material. According to one estimate, once the embellishment is done on a cloth material, its value almost doubles as compared to a cloth without embellishment.

From humble beginnings, Screenline today has evolved to become Sri Lanka's largest screen printer and embellisher. This has been achieved through an unrelenting focus on the art and science of screen printing and emphasis on customer service.

The birth of the company was in a small factory where printing and embellishment processes were carried out, of which screen printing played a major role in the product and service portfolio. Over the years it became the core competency of the company.

History and the Leadership

Young entrepreneur Nishantha Kumara Bakmeege is the pioneering spirit of the founder and present Chairman/Managing Director of Screenline Holdings who is at the helm of the company's voyage of excellence through sheer innovation and dedication. He is a professional artist who dreamt of starting his own business when he became 25. After completing his higher

studies, Mr. Nishantha Kumara worked in a firm for five years, as an artist and covered the entire arena in printing and ventured in to setting up a business.

“In my youth, I was employed as a printing helper and learned the basics of printing. Back then, printing was considered a blue-collar job and no one was particularly fond of getting their hands dirty. Today I realize that working as a helper has allowed me to understand my business better than anyone else and this has provided a competitive edge to Screenline”.

Mr. Nishantha Kumara – Managing Director

Mr. Nishantha Kumara is an entrepreneur who is well committed and willing to work hard for the success of the business. He is confident about ability to meet the challenges confront to the business. This factor of self-confidence was described by psychologist J.B. Rotter as an internal locus of control – a feeling that success depends on one’s own efforts.

By the time Mr. Nishantha Kumara has realized that the need of start up his own business rather working as an employee. Artistic skills and the working experience gained were the primary sources for him to become eager on screen printing industry.

With five partners as a 25 year old young man they together invested US\$2000 and set up a factory in Negambo to provide quality printing facilities for the thriving apparel industry which was mainly based in Katunayake during that time.

In 1999, he came to Kelaniya to be closer to Biyagama and Katunayake Free Trade Zone, which is a central location. The apparel industry was booming that time and Sri Lanka was becoming known as a quality apparel manufacturer.

Screenline offered a quality service that matched the requirements of the buyers and producers. Mr. Nishantha Kumara and the team quickly learnt the ropes of the industry and improved their services further; got the latest technologies introduced and one by one, they were capturing the hearts of the top international buyers from Victoria's Secret, Nike, Marks and Spencer, Reebok, H&M, Addidas and etc...



Today

From 1992 upto the date Mr. Nishantha Kumara has seen Screenline through many ups and downs. Mr. Nishantha Kumara set his sights on being ahead of competition and offering innovative solutions to customers, while keeping abreast with technological development.

His vision in introducing innovative products and techniques was maintained by striking a balance between conservative screen printing techniques and automated screen printing technique which is in demand today.

Today Screenline is one of the largest embellishers in the world with an annual turnover of US\$11 million. Currently the company's head office is located in Kelaniya and now the company has expanded its operation over the country with six factories which are located in Kelaniya, Pannala, Mirigama, Punani, Kandy and Koggala. With the establishment in 1997 Screenline Holdings grew rapidly over years, as their reputation for high quality product, excellent customer service and competitive prices became well known in the industry. With that reputation in the industry company could expanded the operations to overseas also. Accordingly, they opened branches in India, Bangladesh and Vietnam. Its factories in India are located in Vizag and Chennai. Its Bangladesh factory is located

on Dhaka (Sarvar and Uttata). Three clusters in Kandy, Meerigama (Kelaniya, Awissawella, and Pannala) and Koggala are serving the main apparel manufacturing bases in those areas. It has created 1400 local jobs and 450 foreign jobs.

The Kandy cluster covers the manufacturers in the Central province while Koggala and Meerigama clusters cover Southern and Western provinces. The Chennai facility caters to the manufacturing plants of MAS Holdings (LIFI and IFI) and some local manufacturers and the facility in Vishakapatnam in Andra Pradesh caters to Brandix. (Annexure 01: Timeline of Screenline Holdings (Pvt) Ltd)

Vision

To be the Go-To Partner for the world's leading brands & retailers in developing creative and sustainable innovations in screen printing and embellishments.

Mission

Screenline is a design-driven screen printing and embellishment solutions provider. Our mission is to add value to apparel and textile products enabling our customers to offer fashionable and innovative branded product lines.

The excellence

Company benchmarks its service and stringent adherence to quality with the best in the industry and constantly monitors

every stage of the manufacturing process to the satisfaction of the clientele.

The priority

To be the preferred embellishment supplier of the customers and to maintain mutually beneficial, long-term partnerships by focusing on customer satisfaction, creativity and efficiency.

Organization Structure

The organizational structure of Screenline Holdings may give us some insight into how the company succeeded and generated ideas for the most effective way for it to move forward. Company has a good corporate culture and because of its decentralized power structure, authority is delegated within the company. (Annexure 2.1: Overall Hierarchy)

Screenline Board of Directors composed ten members and the board is headed by Mr. Nishantha Kumara as the Chairman to the board. Then the responsibility of running the business operations is lying with the Managing Director of the company which is undertaken again by Mr. Nishantha Kumara, the person who provides the pioneering spirit for the success of the company. In effort to delegate the power within the company, the company is structures into main three segments and the responsibility of each segment is assigned to head of each segment.

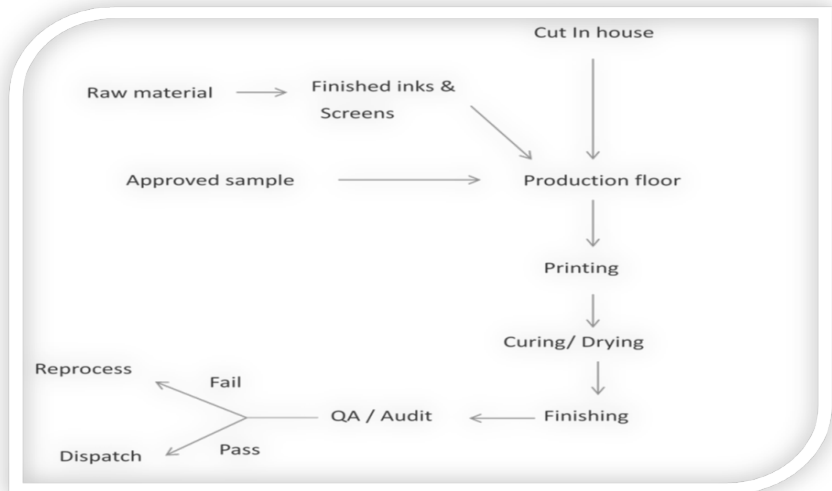
Screenline offers a full service solution: taking an idea from concept to launch commitment to best practices in quality control, consistency, health and safety, efficiency and sustainability has made Screenline the preferred embellisher for prestigious manufacturers of branded apparel. Though creativity runs through the veins of Screenline, the Company has placed great importance to systems and processes that support finance, procurement and other back-end operations. These are designed to optimize resource usage and create time and cost savings for both Screenline and their customers.

The responsibility of these important task is basically lies with the operation and developments department in collaboration with the finance department. (Annexure 2.2: Operations Division Hierarchy and Finance Division Hierarchy).

Screenline is a people oriented company. The Company takes an active interest in the wellbeing of a workforce numbering close to 2000. A continuous effort to ensure that each associate maintains a healthy work-life balance has fostered an autonomous work culture, thereby promoting a solutions-oriented work ethic. The responsibility of having talented workforce which can cater the demands of the cutomers is lying with the Human Resource and Administration Department while

ensuring the healthy and satisfied work life for each employee.
(Annexure 2.3: Human Resource Division Hierarchy)

Production Process



Range of Services

Screenline provides a comprehensive range of screen printing and embellishment services to their clients.

- Flock, foil and glitter applications
- Rhinestone, Rhinestud and sequins transfers
- PU/Vinyl plotter cut transfers
- Heat seals
- All free plastisols
- HAS prints

- Photochromic prints
- Photosensitive Rehinsetones
- Prints in Waterproof Nylon Taffeta Fabric
- Thermochromic prints
- Sublimation on foil
- Soft crackle print
- Spartex puff print
- Super-soft discharge print
- Super-mat print

Future

A journey with thousands miles begin with a single step. So from the humble beginning, Screenline today has evolved to become Sri Lanka's largest screen printer and embellisher. After 15 years of successful business practices, now the company is in a smooth sail to becoming the preferred embellisher in south Asia. In future company is aiming to expand its foreign operations in Asian countries including Vietnam, Myanmar, and Cambodia.

Contribution to Practise

Would you like to become an entrepreneur, to start and operate a small business of your own? Perhaps you wonder whether such dreams can come true today. The good news is that thousands of individuals start such businesses every year. We are living in a world of entrepreneurial opportunity. So we hope that you will receive inspiration from interesting story of Screenline Holding which remarks the entrepreneurial success.

The chapter reviewed about the Mr. Nishantha Kumara's entrepreneurial journey.

As a reader should able to broaden the perspectives to think of values and intangibles that are part of the enterprenial life. Also reader could able to decide the reasons why him to follow an independent business career rather working as an employer in an organization.

STRATEGIC ANALYSIS.....

The environment is everything that isn't me.

Albert Einstein

In a fully globalize market, the competition is fierce and different to what has been experienced so far by all the players global apparel market. The apparel supplier's market is now been replaced by a consumer's market where the consumer demands products according to their preference. Traditional order qualifying factors price, quality and on time delivery are only be entry qualifications to enter the global market where as order winning criteria for today is innovativeness, design, quick response and flexibility. Today, with the global recession consumers ask more value for less money. Therefore building competitive advantage to satisfy new consumer demand is essential in the new market. Being the largest contributor to the Sri Lankan economy for last few decades, Sri Lankan apparel industry should cultivate its competitive advantage in order to be sustainable in the global apparel market.

Therefore, knowing what constitutes new sources of competitive advantage and how these factors could be generated is critically important to set a future direction for Sri Lankan apparel industry.

The Sri Lankan textiles and apparel industry has played a major role in the country's development. As with the country's economic development, the new sources of competitive factors need to be strategically developed.

According to Central Bank statistics, major export oriented industries in Sri Lanka, such as wearing apparel and textiles, grew at a healthy rate during the first half of 2014. The wearing apparel sector recorded a significant growth of 18.4 per cent in the first half of 2014, benefitting from an increase of orders placed by major international buyers. The expansion in orders was reminiscent of the increasing demand from the USA and the Euro region, which are Sri Lanka's key garment export destinations.

Sri Lanka's reputation as a reliable supplier of quality garments at competitive prices opened up more export opportunities for the country. Meanwhile, the favorable performance of the apparel industry with higher domestic value addition like embellishing supported the enhanced output of the apparel industry.

When considering the Sri Lankan apparel industry from the very beginning the Sri Lanka's comparative advantage remained at the low cost. The reason for moving the industry in to

developing countries is also under the given reason of low labour cost. This makes the sense that Sri Lankan apparel industry has adopted the cost leadership strategy which is not sustainable in long term. Since the industry was under quotas for about 30 years most of the Sri Lankan manufacturing organizations have not taken steps in building own competitive advantage in order to differentiate themselves from the competition. Since they were secured their market place under the quota system they did not want to take steps forward to remain competitive. However when looking at the present scenario with the removal of quotas Sri Lankan apparel manufacturers should adopt differentiation strategy where they should focus on delivering a product which is differ from other similar category products catered by other competitors. In order to do that they should concentrate themselves in different differentiation factors which they are capable enough in providing such as ethical factors, quick response, innovative designs etc.

Strategic analysis will help the firm to understand what is happening both internal and external environment to increase the probability that the organizational strategies developed will appropriately reflect the organizational environment. Environmental scanning is necessary because there are rapid changes taking place in the environment that has a great impact

on the working of the business firm. SWOT analysis is an analytical method/tool which is used to identify and categories significant internal (Strengths and Weaknesses) and external (Opportunities and Threats) factors faced either in a particular arena, such as an organization, or a territory, such as a region, nation, or city. The examination of the importance of stake holder groups such as suppliers, customers etc... are particularly essential as part of industry analysis as and when a company makes their strategic decisions.

Michael Porter's competitive strategy contends that a corporation is most concerned with the intensity of competition within its industry. In carefully scanning its industry, a corporation must assess the importance to its success of each of five forces; threat of new entrants, rivalry among existing firms, threats of substitutes or services, bargaining power of buyers and bargaining power of suppliers.

Embellishing as value addition to the apparel industry

Embellishing is an important node in the production network of the apparel industry since it generated high value addition to the end product. The designers are using latest embellishment technology like screen printing, roll printing, digital printing, and sublimation to create high-impact brand graphics and distinctive finishing touches as part of a garment's design. This

helps to elevate the brand and increase overall consumer appeal. Thus it symbolizes high value addition to a cloth material. Once the embellishment is done on a cloth material, its value almost doubles as compared to a cloth without embellishment.

For the embellishing industry to be globally competitive, it needs to achieve high productivity and on-time delivery while maintaining high quality of finished products and competitive pricing. To achieve this, the embellishing Industry needs to invest not only in state-of-the-art technology but also in developing effective and efficient business processes.

Screenline Holdings is a business which competent with its resources and capabilities that allows the business to differentiate itself and its products when compared with competitors. The company is headed among other competitors while possessing adequate resources to uplift the quality of their products toward the business success in a local and international arena.

Screenline Holdings today has evolved to become Sri Lanka's largest screen printer and embellisher. This has been achieved through an unrelated focus on the art and science of screen printing and emphasis on customer care.

Product development lead time had been one of the key factors for the company's success in order to win business contracts and being on top of the competition with other countries in the region who are well geared for quick turnaround. The lead time in the embellishment industry, like in any other buyer-driven chain is very short and its impact is felt all along the value chain.

The time starting from the issuance of the purchase order to the delivery of goods is defined as the 'lead time'. This lead time consists of three processes; those are pre-production approval, production of goods and delivery of goods. The pre-production approval is a method of control used by the retailer or buying agent and requires the exporter to get a final approval of the sample before beginning the production.

This can involve a number of tedious processes such as the approval of fit, dip, fabric, printing, and the final sample, and this takes a lot of time since the buyer often makes frequent changes.

Usually buyers affect an industry through their ability to force down prices, bargain for higher quality or more services and play competitors against each other. Customized product designing is a salient feature of Screenline Holdings thus

working towards the deadlines placed by customers is decisive factor to maintain the long term partnering with their customer network. Buyers are more conscious about the quality that company maintains throughout the production process. Due to customization of product designing there is a high possibility of rejection of finished goods by the buyers which are not conformance to the specified quality. The company needs to abide by with the ethical and social compliance requirements specified by the buyers.

The Technological Edge

It is been broadly recognized in modern times that, without innovation, companies would quickly lose their competitive edge. Thus an innovation strategy is a fundamental tool for continued growth even in difficult times.

The competitive innovative designs would be another key success factor for the companies in the embellishing industry too. Innovation lies at the heart of Screenline's success towards the remarkable achievements in their journey.

Majority of the embellishing factories in Sri Lanka are small and medium scale, yet the industry dominance by few large firms. Further, most of the small and medium scale companies are doing the subcontract and those companies are focus on deliver

the product at low cost. The low cost producers introduce the replacing designs rather than be innovative.

The Screenline philosophy of customer-centric innovations and flexibility has served well in acquiring and sustaining a prestigious portfolio of customers. The company undertook several initiations to reach the philosophy of customer-centric innovations and flexibility.

The company's in-house design studio has been set up with the aim of conceptualizing and visualizing creative designs by exploring the talent of the youth. This venture has been a success story from initialization and is now a fully blown design studio equipped to cater to demanding international markets, enabling the company to be at the helm of proving creative designs for world renowned brands. Design technology is transferred from the parent design companies of customers.

The company's qualified set of lab technicians ensure that all raw materials meet the stringent compliance and safety standards of customers. This unit helps the company to complete orders without any hindrance to production processes while meeting all customer requirements in the shortest possible lead times. This provides a vital service aspect to all customers of Screenline.

With the rapid developments in technology, infusing IT based environment is key to success of the company. In order to gain the competitive edge in embellishing industry companies need to continuously involve with the research and development activities.

Screenline Holdings uses the technological capability basically in two steps in their process. Those are when selecting the best combination of raw materials and printing designs. Customers provide the needed sample of raw materials and the technology of setting the best mix. The company applies the technology as required and checks for the level of standards. The technology of the printing method is not changing as the same procedure is followed for every production. However the developed technology can increase the efficiency of machines and eliminate the unusual movements of printing.

Company engages with research and development for finding new technology and also acquires new technology from customers where they change their designs and raw materials to sustain with the competitive market. Screenline established a fully-fledged development centre equipped with manual and automated printing facilities supported by a fully computerized colour room has been set up to cater to the ever increasing customer demands.

With the functional combination of the research and development center (laboratory) and the product development centre company able to provide high quality output with a minimum lead time. Screenline adopts a quality assurance process that has resulted in rejection rates far lower than industry norms.

Screenline Holdings secured a patent for a new design of multi station screen printing units, which vastly improves the productivity. This printing unit is the most fundamental component of the screen printing method.

In addition to the above technological developments, Screenline Holdings implements a web based ERP system that offers all customers the visibility to check the progress of orders placed from anywhere in the world. The system is updated by the factory at the end of each manufacturing process, enabling the customer to keep close tabs on the order placed with Screenline.

Flow of raw materials and Business Partners

Raw materials base is a major weakness for Sri Lankan apparel manufacturing industry since large amounts of raw materials needed for the apparel manufacturing industry is imported. Over 80 % of fabric requirements and 70 % of other accessories needed for Sri Lankan apparel manufacturing industry is imported. As local companies they are overly dependence of the

suppliers since they have high bargaining power as well as the dominance.

Screenline Holdings is more concerned about the raw materials to meet the stringent compliance and safety standards to maintain the quality standards among the customer base. Screenline is an OEKO-TEX® certified company which indicates that all material used are safety-tested for skin-friendly clothing and other textiles.

The OEKO-TEX® Standard 100 is an independent testing and certification system for textile raw materials, intermediate and end products at all stages of production.

Examples for items eligible for certification: Raw and dyed/finished yarns, raw and dyed/finished fabrics and knits, ready-made articles (all types of clothing, domestic and household textiles, bed linen, terry cloth items, textile toys and more). OEKO-TEX® testing for harmful substances always focus on the actual use of the textile. The more intensive the skin contacts of a product, the stricter the human ecological requirements to be met. Screenline Holdings has in-house established formaldehyde testing facilities for water extraction and testing the level of formaldehyde of fabrics of orders they receive from fabric manufacturers.

“The future is bright for Screenline as I reflect on the vast opportunities before the Group to grow our partnerships with global brands and world class apparel manufacturers enabling them to offer fashionable and innovative product lines to consumers”.

Mr. Nishantha Kumara – Managing Director

Screenline Holdings offered a priority to their customers in order to maintain mutually beneficial, long term partnerships by focusing on customer satisfaction, creativity with the state of the art technology which company possess. Infusing the latest technology in embellishment leads to maintain close rapport with the international buyers such as Victoria’s Secret, Nike, Marks and Spencer, Reebok, H&M, Adidas, George, Tesco, etc...

MAS Holdings, Brandixare the main apparel manufacturing partners of the selected company. Suppliers can affect an industry through their ability to raise prices or reduce the quality of goods & services. On time delivery of raw materials by partners is a must to placing the order at a correct time in a correct quantity.

The whole production process having an influence upon the on time delivery and quality of raw materials provided by the partners.

The Canvass Creators

The cheap labour for production, which was the main advantage for Sri Lanka, is no longer being crucial in achieving competitive advantage. There are other countries such as Vietnam, Madagascar that are emerging with lower labour costs in the region. Apart from the rising labour wages, the average productivity of the Sri Lankan worker is also lower compared with other competitive nations such as China. The rising cost of labour will act as a negative factor for Sri Lankan apparel manufacturing industry.

The skill level of Sri Lankan workers is a positive factor when considering the apparel manufacturing industry. Sri Lanka has a highly trainable work force in the Asian region that has much higher literacy rate which is similar to the developed countries. Sri Lankan government universities are currently providing the knowledge workers in the areas of technical and design knowledge required for the apparel manufacturing industry. Knowledge workers in the area of marketing are also provided by the private institutions. These can be taken as

positive factors when considering the Sri Lankan apparel manufacturing industry.

Considering the motivation level of the workers, to work in the apparel manufacturing industry at the operator level, it should be noted that having apparel industry is the major employment provider for Sri Lankan economy there is a motivation in joining of female workers, to the industry. But due to the poor social attitude, the motivation level of continuing their jobs decreased. That also being negative signal to the apparel industry for the long term success.

Embellishing industry is a labour intensive industry. The intellectual capital becomes a common problem for whole apparel industry, the working culture of Screenline Holdings apparently different. The Screenline Holdings is a people oriented company and their workforce numbering close to two thousand.

The employee empowerment is highlighting feature in its working culture, as a result of that the company enjoys a negligible rate of employee turnover.

“My greatest asset is the talented workforce at Screenline who share my passion for the art and science of screen printing”.

Mr. Nishantha Kumara – Managing Director

At Screenline Holdings take an active interest in the wellbeing of the people and always strive to ensure that the each of their associates maintains healthy work-life balance. A conducive work environment in Screenline Holdings consist of personal development, team spirit, mutual respect and confidence ensure a 100% worker participation in the company’s goal achievement.

Screenline adopts global best practices in health and safety and strictly enforces practices of equal opportunity employment and labour standards. Screenline is a member of Sedex - an organization dedicated to driving improvement in ethical and responsible business practices in global supply chains.

Contribution to Practise

Strategic analysis chapter exploits the environmental factors which are affecting to the strategic decisions of an organization. Readers should able to apply different analytical tools to gain in-depth knowledge about the practical application of the theoretical models. Based on the application of different analytical tools -SWOT, Five forces, Diamond Theory, Value chain- reader should able to determine the Key Performance Indicators of the company.

CHANGE FOR A SUSTAINABLE FUTURE....

Any change, even a change for the better, is always accompanied by drawbacks and discomforts.

- Arnold Bennett

The effect of ownership forms and the structure of share capital on the financial outcomes of enterprises has been the topic of scientific conversations for more than 80 years. At the end of the 1990s the topic of impact had actually become popular also in post-communist nations. It was right after Berle and Means found the important role of the private sector in development of the economy. (Varcholova and Beslerova; 2013).

The major facet of ownership structure is associated with a company's shares and their concentration. If a high percentage of shares is held by a relatively few owners, according to Citak (2007, p. 231) a company's ownership is considered to be highly concentrated. Although every study examines various periods and different groups of countries and companies, the majority of the papers find a positive relationship between ownership structure and company performance measured by return on assets (ROA), return on equity (ROE), market to book value of equity (MBV) and more.

A private company is a company whose ownership is private. In the literature it is specified that private ownership guarantee superior corporate governance through the role of external owners in monitoring managerial performance and in ensuring a single-minded focus on profitability as the objective of the firm (Estrin, 2002).

Some analysts reviewing the performance differences between private and state owned enterprises have offered various outcomes, yet generally these researches recommend that privatization of state-owned enterprises leads to better financial performance (Andrews and Dowling; 1998 and Parker; 1997). Ehrlich, Gallais-Hamonno, Liu and Lutter (1994) have given proof on productivity differences between state-owned and privately owned firms. The authors found a significant link between ownership and firm-specific rates of productivity growth. Their results reveal that private ownership leads to higher rates of productivity growth and reducing expenses in the long run and these differences are not affected by the degree of market competition or regulation.

Even though many researchers has found that the performance of privately owned companies is comparatively high still there are sustainability issues occurs due to conflicts and disagreements. Common causes of such conflicts include

disagreements over the company's strategy, the level of dividends, salaries paid to shareholders who also work for the business, disagreements over strategy power struggles and poor personal relationships conflicts of interest, disproportionate contributions of money and/or time from each shareholder dealings between the company and a private business owned by one of the shareholders, the price to be paid when a shareholder is bought out. The problems can be particularly acute where one shareholder, or group of shareholders acting together, can override the wishes of a minority shareholder.

As a private limited company Screenline Holdings (Pvt) Ltd has achieved its current success passing many obstacles in its history. Thus it is worth to evaluate the success of the company with the understanding of the ownership change and its impact to the performance of the company.

The journey of Mr. Nishantha Kumara the owner of Screenline Holdings started with very little capital, was a challenging one, had to deal with competitors who were better connected and funded. It was Mr. Nishantha's sheer dedication and an unrelenting pursuit of innovation that culminated in Screenline surpassing its competitors to secure its current leadership position as the preferred printing solutions provider' among leading manufacturers and brands. Mr. Nishantha Kumara is

dedicated to raising the bar in screen printing and embellishments through greater investments in R&D and innovation and further streamlining processes. This led to Mr. Nishantha Kumara being awarded a patent for an innovation in multi station screen printing.

However the beginning was no so in the pink where the Sri Lankan screen printing industry was unknown and not considered as a healthy business to start with. It was 17 years ago Mr. Niashantha Kumara started his business with the financial assistance of five partners.

Those five personalities were consisting with different backgrounds and got together to start up a new business in screen printing for Sri Lankan well known apparel manufacturers such as MAS, Brandix and etc... He was the key personal who handled operations and all technical matters from the inception of the company.

With the development of the business the ownership changed many times due to several reasons. Two partners discontinue their ownership and due to the need of sustainability the company made to leave another one partner repaying his contribution. However with these ownership changes due to different reasons two partners including Mr. Nishantha Kumara

continue with the development of the business facing the challenges of the industry.

The conflicts in a business environment are a natural part of a work place. It is important that there are people who understand conflicts and aware about resolving them strategically. Each individual of the company striving to show how valuable they are to the company they work for. At this juncture arising of disputes is natural. There are many ways of responding conflict situations; where some conflicts behave cooperatively while others are competitive and passive.

When the time passes a dispute has arisen between the two partners of the company regarding some of the management issues. And gradually it became a critical and partners were to take a forward decision on the sustainability of the business. The remaining two partners had been managing the company for ten years and the administration of the company continues to be segregating the function of financial, operational and technical.

Over the period of time the management of Screenline Holdings had to face another critical dispute on financial obligations of the company.

Initially the other partner decided to leave the company since it was a significant impact to the performance of the company.

However analyzing his commitments towards the development of the company he took the decision to make a request to the other partner to leave the business offering a compensation for his contribution. As the request was accepted by the said partner the decision was taken and the sole ownership was taken up by Mr. Nishantha Kumara becoming the Managing Director of the Screenline Holdings (Pvt) Ltd in the year 2011.

Conflicts at the root of many leaders best ideas as well as the core of their worst failures. When handling the conflict in a poor manner it can cost organizations heavily in terms of wasted management time, labour turnover, violence, sabotage etc... when the conflict is addressed in an effective manner it stimulates creativity among the employees and lead to better decision making.

With this ownership changes of the company all functions were rearranged with the intension of smooth functioning of the business.

Within this structural change a special attention was given to administration and financial functions. Also many decisions were taken to develop the business standards and all the other supportive processes. Screenline Holdings enhanced the concern on organizational creativity as a source of innovation and

provided necessary infrastructures and methods to support creativity of individuals within the company. With these structural changes Screenline is now moving towards the success marking many milestones of its journey.

STRUCTURAL CHANGE....



“We make a professional working environment, attracting good talents to the company to offer world class embellishing and printing solutions”

***Mr. Nishantha
Kumara
Chairman/
Managing Director***

Organizational change can occur in response to internal or external factors. Most organizations have to change as part of keeping up with the competition or adjusting to new market trends or technologies. Things such as mergers, restructuring, technological advancements, process enhancements, changing

customer demands and new product lines are fairly common in today's business environments.

Structural changes include things such as the organization's hierarchy, chain of command, management systems, job structure and administrative procedures. Circumstances that usually create the need for structural change include mergers and acquisitions, job duplication, changes in the market and process or policy changes.

As we mentioned before, the company's main structural change happened in year 2011 as changing the ownership of the company. In this chapter we focus on the post evaluation of the structural change.

Administrative Changes

Screenline Holdings' humble beginning started in a small factory and grew rapidly over the years with the reputation for high quality products, excellent customer service, competitive prices etc. From the inception of the business the ownership is shared among few partners. Apparently, Screenline Holdings (Pvt) Ltd changed the ownership of the company in the year 2011 by giving sole ownership to Mr. Nishantha Kumara, the current Managing Director. Mr. Nishantha Kumara is the pioneering spirit of the factory and he could gain the excellence with his innovation and dedication.

The philosophy behind the change was to reduce the cost of the production rather than increase the price of the product, which is almost similar in the industry. Changing the basic management process was a key request at the time of the structural change.

ERP System

Enterprise Resource Planning (ERP) is business process management software that allows an organization to use a system of integrated applications to manage the business and automate many back office and front office functions related to technology, services, production, marketing and human resources. Before 2011 Screenline Holdings had a system called PMS (Production Management System). This system was outdated and had lot of issues mainly to gain real time reports and information. After the new ownership change in 2011 the Screenline Holdings (Pvt) Ltd implemented a web based tailor made ERP, resulting making more efficient business processes and procedures.

The objective of the ERP solution is to drive the flow of information between all internal business functions while managing connections to outside stake holders. The new ERP system of Screenline Holdings (Pvt) Ltd uses a common database to hold information from the various business functions that is accessible to various users anywhere in the world.

The main advantage of the ERP system is the reduction of frauds, errors, mistakes and smoothen the inventory control process including stationery which had not been rectified by the previous system used by the company.

Further the system is updated by the factory at the end of each manufacturing process, enabling the customers to keep close tabs on the order placed with Screenline Holdings. Because of the ERP, it is easy to run several plants in many different cities and countries while conforming to the same quality, the standards and the ethics of the company. As well the company can produce real time, proper documentation. Screenline Holdings having factories internationally, now have a convenient communication process and flexible business environment with the adaptation of new ERP system.

Furthermore the new system allows Managing Director to be in touch with all the employees and this gives him the opportunity to personally wish them on special occasions.

As an embellisher Screenline Holdings (Pvt) Ltd always tries to introduce the latest technologies and equipment and as a result they have replaced large screen computers with Tabs and mobile devices, while servers are replaced by cloud technology.



Figure 01 (Source: Company profile 2014)

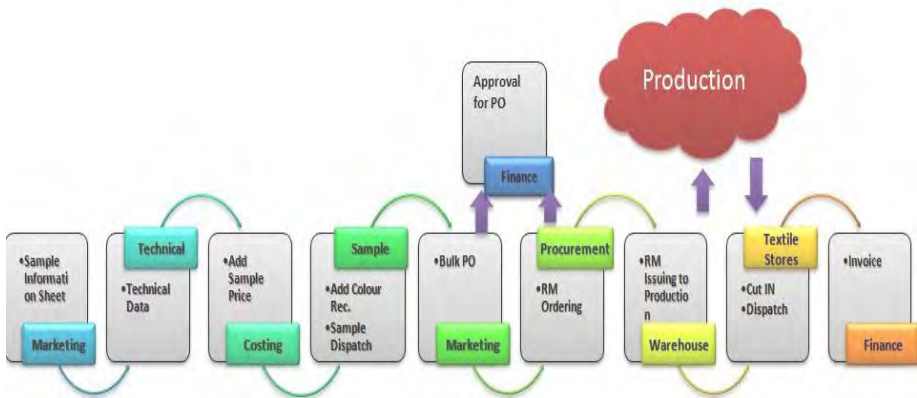


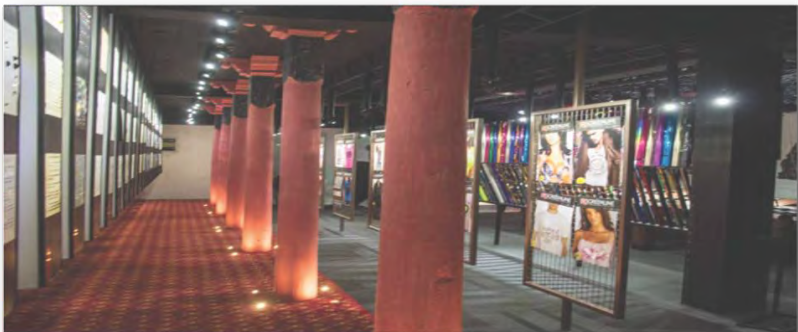
Figure 02 (Source: Company profile 2014)

Building Standards



Display Room

Display room of Screenline Holdings Company has arranged in an attractive, convenient way giving more freedom for clients to decide on the orders they are going to place. Screenline Holdings applies graphics in to dummies and hang them rather catalogue books which is normally done by other printing



companies. Always Screenline tries to give an excellent service to the customers by making a competitive environment. When other printing companies are displaying very little ornaments which use in fabric printing like stones, Screenline Holdings displays them in a big table in a way that clients can touch them and select. When other companies display the foils as small pieces Screenline Holdings displays foils as bars which enable the proper visualization to the client by providing their excellent customer service.

Apparently they set the day light effect in to fabric by making a natural lighting environment. As well the architecture of the display room depicts history of the Sri Lankan culture and this is a great effort they made to attract the foreigners.

State-of-the-art Design Studio



In this industry, normally an Art room is not an open place to outsiders and clients. Screenline Holdings keeps the Art room openly and any stake holder can have the access to visit the studio and this will enhance the relationship of the company with the stake holders. Mr. Nishantha Kumara the current Managing Director changed the whole atmosphere of the design studio from busy and dirty place to a very calm, quiet and artistic environment. As well they built up a system to monitor the arts performed by an individual employee in daily basis. Here, per day no of arts is shown in a monitor to motivate employees and to measure the performance. This system is unique for Screeline Holdings comparing with other companies in the same industry. Further Screenline Holdings have total graphic handling process which is not in other fabric printing companies. According to the new process there is no way to send the graphics out from the company to reach to the competitors. This design studio is setup with the aim of conceptualizing and visualizing creative designs by exploring the talents of the youth.

Production Development Centre (Sample room)

Screenline Holdings has sophisticated Production Development Centre, which is known as sample room with all the required facilities and with the latest technology. The 3 main printing

methods of Automated machine printing, Board Printing and Table Printing is done in this special sample room.

The Production Development Centre has the ability to decide the printing method and the plant once the development room receives a graphic. This sample room is located in Kelaniya and all the sample work for all factories apart from Kandy plant are done from this sample room. In the Kandy plant there is a separate sample room due to the mass scale production of “Penguin” brand is done through the Kandy branch.



Laboratory



The laboratory of Screenline Holdings is having unique features and the company only has got an in-house laboratory. Generally the testing need to be done by a separate testing company but at Screenline Holdings it is done in their in-house laboratory. With the new young leadership Screenline Holdings PLC has adopted a learning culture to the company and the company is investing for continuous research and development to invent new technologies. Normally they target to come-up with a new technological improvement in every month. The research and development department collaborate with the laboratory to complete the orders without any hindrance to production process while meeting all customer requirements in the shortest possible lead times providing a vital service aspect to all customers of Screenline.



Further the qualified set of lab technicians ensures that all raw materials meet the stringent compliance and safety standards of the customers.

Colour Kitchen

Colour kitchen is a fully computerized colour room which has been set up to cater the ever increasing customer demands. Here normally the colour mixing part was done by a colour master. Colour master mixed color dots with white colour base manually and set the colour based on their talent and experience. For this process there is no any standard method used in the industry. Gradually with the development of their research and development skills, Screenline Holdings could introduce a new system to mix the colours.



With the new development, now the company enters the colour recipe to the system and the system automatically records the recipes in the system. Then anyone in anywhere can use the same colour recipe very easily and efficiently and also any plant can see standard sizes and quantities of the product. This system restricts entering different quantities by users and the mixing is facilitated by the recipe. As well by using this new mixing system Screenline Holdings company has the ability to calculate the per square inch cost of the ink for any material. The new system has taken the number of mistakes happened previously to zero level. This method is again a unique and great asset to the Screenline Holdings comparing with the other Sri Lankan companies in this industry.

Diversification

Diversification strategies involve widening an organization's scope across different products and market sectors. A business owner needs to consider *efficient diversification strategies* to build a competitive advantage, to achieve economies of scale or scope, and/or to take advantage of a financial opportunity that aligns with the business' strategic plan. Diversification can be segmented into related diversification or unrelated diversification.

When a business adds or expands its existing product lines or markets, it is called related diversification. With a related diversification strategy you have the advantage of understanding the business and of knowing what the industry opportunities and threats are.

When a business adds new, or unrelated, product lines or markets, it is called unrelated diversification. A company want to engage in unrelated diversification, because there may be cost efficiencies. Or the acquisition might provide an offsetting cash flow during a seasonal pause. The driver for this acquisition decision is profit, it needs to be a low risk investment, with high potential for return.

Having successful growth in the printing industry by catering to the renowned customers all over the world, Screenline Holdings (Pvt) Ltd used diversification strategies also to their long term plans to achieve the vision and the mission of the company.

Diversification can be applied in as related to the industry or else as unrelated to the industry where the company currently focusing on.

In 2012 with the change of the ownership to the new leader Mr. Nishantha Kumara, the current Chairman and the Managing Director, they started BNK trading company to control the

procurement process in the Screenline Holdings. Before BNK is started there were problems especially in raw materials which amounts 35% of monthly sales. Screenline Holdings had the relationships with 5 to 8 raw material suppliers but the company couldn't get a better price, discounts and proper identification in the market from any of those companies. The initialization of the BNK Trading Company has specialized in selecting proper and best suppliers for Screenline Holdings and this is benefited by both Screenline Holdings and the suppliers.

BNK operates the company independently having a healthy turnover. It is located in the Kelaniya head office and operating a well-established dealer network all over the country. BNK sells not only the raw materials but stationery and chemicals are also sold even though they are not directly related to the printing industry. Here BNK supplies stationery to Screenline Holdings as they could make a drastic reduction in their expenses. Apart from stationery BNK trades Orient fans manufactured by well known "Birla Group" which is the second largest conglomerate in India.

Despite the constraints in infrastructure than their competitors, Screenline Holdings could become the sole agent of selling Orient fans after facing a huge competition, totally because of the structured plan of the company.

MANWA construction Company is a joint venture company which could get the joint collaboration with a famous architect. This unrelated diversification strategy had been implemented purely because of the healthy market position of the construction industry in Sri Lanka.

As mentioned in above Screenline Holdings had a system called PMS (Production Management System) before 2011, which contained lot of issues on preparation of real time reports and getting real time information. PMS was operated by an outside software firm. Screenline Holdings wanted to buildup in-house software company and in May 2013, the company recruited all employees of the outside software company and formed their own software company called NSOFT and developed a tailor made ERP solution by upgrading an existing ERP to specially relating to the printing industry.

Awards and Accolades

Screenline has received many awards and accolades over the years in recognition of their achievements in the printing and embellishing industry.



Patents

Screenline Holdings has been awarded a patent for their Multi-functional manual screen printing unit, which is a major achievement of the company. At the same time there are few more patents to be taken by the company in near future.

Printing Table (Multi-functional manual screen printing unit) – Screenline has produced a new Printing table which enhance the output 4-5 times than the conventional table. The uniqueness is with the printing unit. Printing unit has wooden pallets and no of pallets can be 1, 2, 3, 4, 6 or more than that. Depending on the panel size and the print design size, printing unit can be selected. If the printing unit has six wooden pallets, six panels can be printed at once, where the conventional table this facility not given. Screenline has taken patent for the new printing table. These printing tables are used in current production processes.

Screenline Holdings has applied for the following two patents;

1. Fully automated multi-functional screen printing unit

This is an extension of the patent multi-functional printing unit and operated in fully automatic process, the patent concept is combined with the automatic screen printing machine. Printing part is done by machine. The efficiency of automatic unit is higher than the manual process.

- 2. 3D Press Machine** – Press machines are used to transfer a design or a motif to a textile. Press machines available in market can be used only for 2D Garment, the garment is laid on the flat bed. But the new invention was done to press 3D garments like moulded bra. Special beds were produced similar to molded cups and garment can be laid on it. 3D garments cannot be pressed using normal press machines due to shape out of the garment after press. This machine is currently used in production and applied for Patent.

Future

Screenline holdings plan to set up more overseas branches in Cambodia, Mexico and Vietnam. Vietnam is getting duty free facilities to the US market: therefore the apparel sector in that country is expected to take a new turn and the company wants to

benefit from that. The company has been reinvesting their profits in new technology and expansion programmes. That is one major reason for their growth in a comparatively short period. They regularly look at cost cutting solutions; when the costs go up owing to recession or slowing down of export markets, they introduce cost reduction methods.

IT is widely used and the employees dealing with IT are given the latest equipment to work with.

Most areas of the production line are semi-automated. The company has also taken measures to minimize the use of power by introducing skylights and solar power systems for manufacturing plants (green energy) and water is recycled and used for gardening and toilets in an effort to conserve water. The impressive building structure and the offices with a blend of natural and power generated lights are testimony to this. The company plan to go for total green concepts sooner.

Mr. Nishantha Kumara is a frequent traveler. He and his team are regular visitors to international apparel fairs and conventions. During these visits they learn about new technologies and trends and pick what is necessary to improve their business back at home.

The Screenline journey is far from over.

Contribution to Practise

This chapter point outs the structural change happened in Screenline Holdings (Pvt) Ltd and the impact on the structural change to the company performance and the financial position.

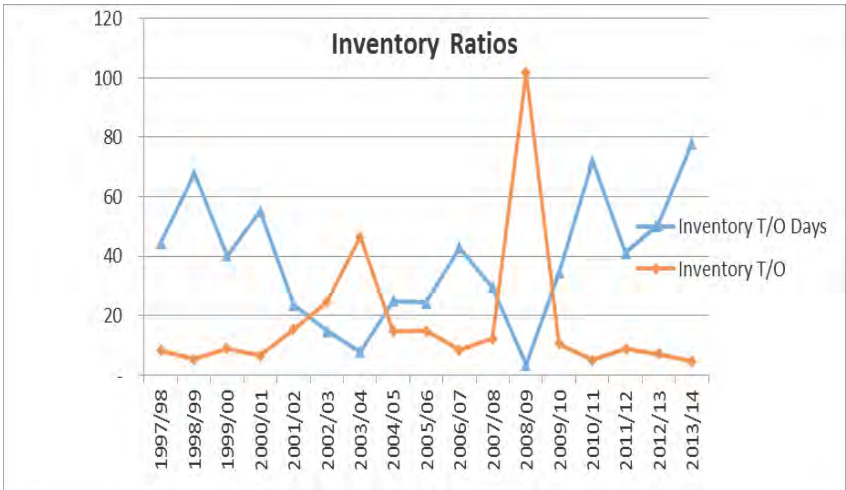
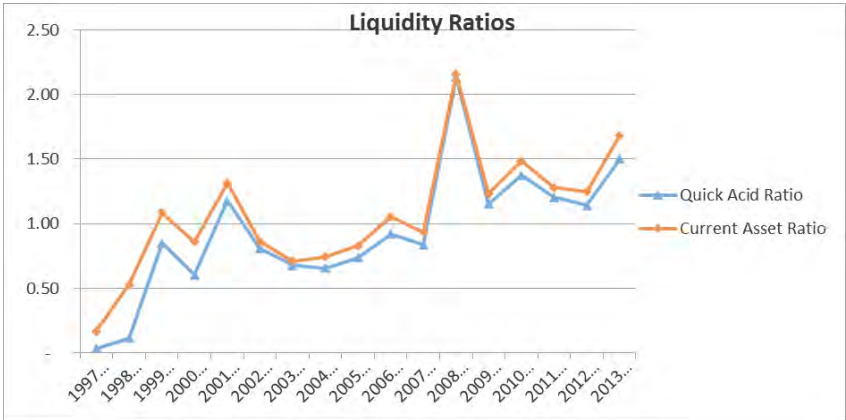
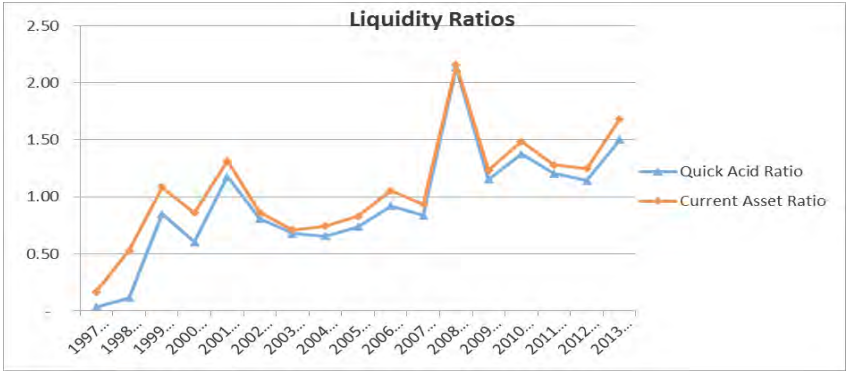
The post evaluation emphasizes the change management process, that Mr. Nishantha incorporated in 2011 and how he was capable enough to manage the change. Kurt Lewin's change management theories can be applied to this scenario to reveal the management skills of the new owner of the Screenline Holdings.

The Company's local and international expansion indicates the growth of the company. Furthermore the diversification strategy of the company, can also be discussed as the company operates on both related and nonrelated diversification. Ansoff's product development and diversification theory can be applied to this scenario and clarify more about their product and market development strategies. Moreover, Porter's Generic Competitive Strategies can be applied to find how a company pursues competitive advantage across its chosen market scope.

FINANCIAL HIGHLIGHTS.....

Screenline Holdings (Pvt) Ltd has experienced an immense growth by catering most renowned brands in locally and internationally. From the inception of the company the pioneer and the partners of the company has put huge effort to build the market and then to serve the customers excellently and, Screenline Holdings (Pvt) Ltd aims to become South Asia's top embellisher by 2020. The financial highlights of the company imply the company's establishment over two decades. The charts given below and the financial data show the financial performance of the company as well the financial position of the company. Basically as mentioned in earlier chapters Screenline Holdings (Pvt) Ltd faced a structural change in 2011 by changing the ownership to a sole owner Mr. Nishantha Kumara the current Managing Director and the Chairman of the company. For this ownership change the company had to spend a considerable amount for the consideration of the partner who left the company at the latter part of the 2010/11 financial year.

Following charts depict the behaviour of liquidity and inventory turnover ratios over the period.

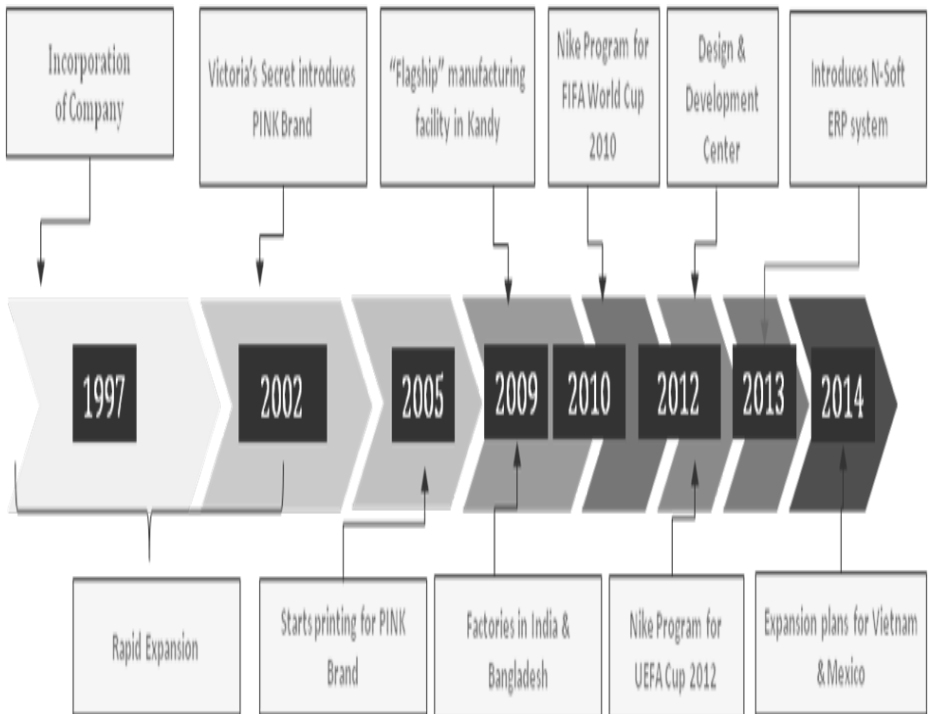


Screenline Holdings began to earn profits from the financial year 1999/2000 and was able to manage the company profitably until the year 2008//09 where they could reach the highest net profit margin. However the company was unable to maintain this achievement and at the year 2009/10 company had to incur a considerable net loss. However with the visionary leadership of new management, Screenline is being increasing its net profit ratio from the financial year 2010/11.

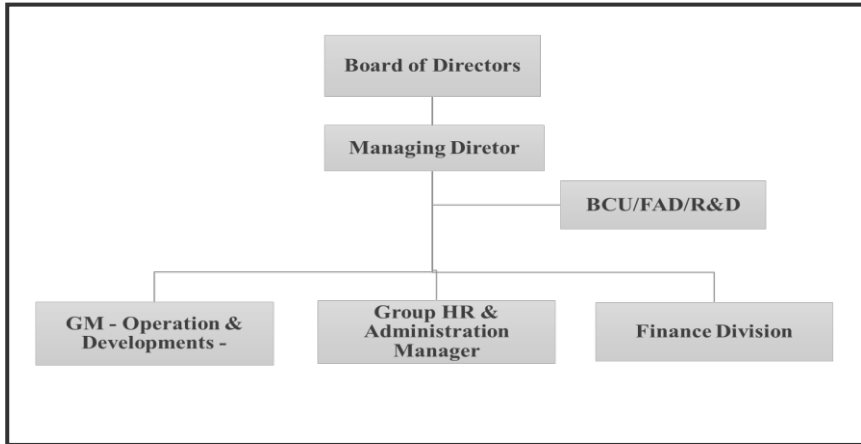
Contribution to Practise

Analysis of the financial information gives a better understanding about how the structural change affected the financial situation of the company. The reader should be able to evaluate the soundness of decisions taken by the management in changing ownership and other structural developments. For an in-depth analysis reader has to consider both pre and post financial information of the structural change.

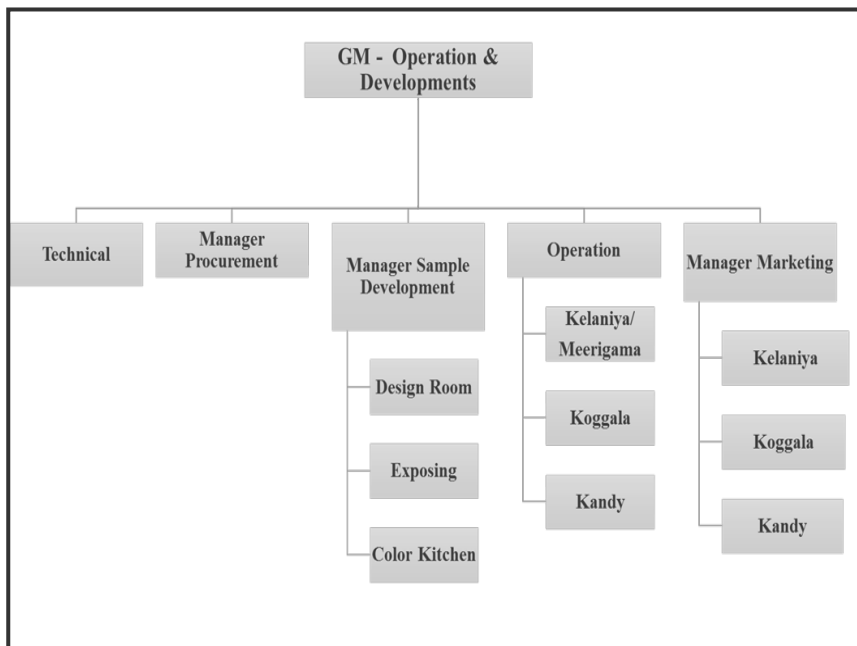
Annexure 01: Timeline of Screenline Holdings (Pvt) Ltd.



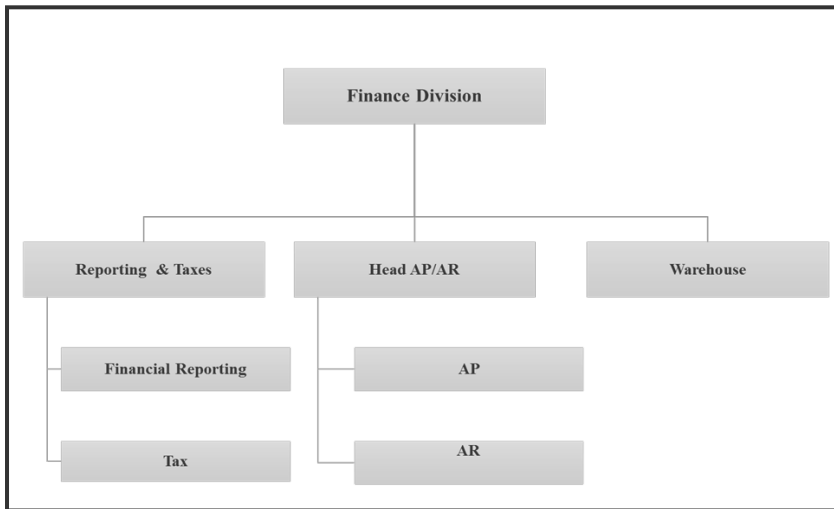
Annexure 02 – Organization Structure



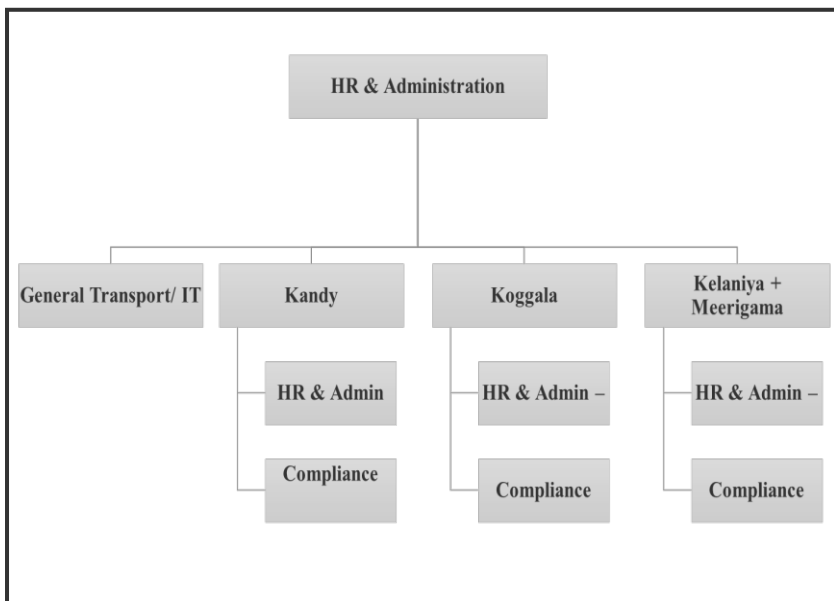
Annexure 2.1: Overall Hierarchy



Annexure 2.2: Operations Division Hierarchy and Finance Division Hierarchy



Annexure 2.3: Human Resource Division Hierarchy



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