



Case Study 2: AKDPL

1. Background

This case study has been developed on the basis of the SUSBIZ India programme running from 2007 to 2009 (www.susbizindia.org). The case studies were finalised in May 2009.

Ayush Kasliwal, one of the founding directors of AKDPL, is a trained furniture design graduate from The National Institute of Design, Ahmedabad. In 1997 he started a partnership company under the name Ayush Kasliwal Furniture Design (AKFD) which continues as its brand name today. In 2006 the company was registered as a private limited company, Ayush Kasliwal Design Private Limited (AKDPL), specializing in furniture design and manufacturing as well as product development. From its factory in Sitapura, Jaipur, the company has been manufacturing items in-house as well as sourcing extensively from all over the country. Furniture items and lifestyle objects are exported as well as sold in the domestic market. AKDPL produces a limited quantity of products in each design.

AKDPL follows a diversified business model and its products are in the luxury category. The company has an exclusive showroom and sale centre in Jaipur for its own products. AKDPL also has a unit called “Photosynthesis” which is dealing with art and photography aspects. Other specialized services such as architectural support to hotels, buildings and interior decoration are also provided.

The total Number of employees was 34 when AKDPL started its manufacturing operations, currently about 85 people are working fulltime with the company. The company has been growing at a steady pace of 60% annually, and has gained recognition for its genuine quality and design worldwide. The Annual turnover in the year 2006-07 was approximately Rs. 35 million (equalling approx. US\$ 780.000).

Apart from the domestic market, AKDPL serves markets in the UK, Germany, Denmark, USA, China, France and South Africa. 70% of AKDPL’s products are exported.

Production processes

The products of AKDPL are made from wood, metal, glass and marble. Most of the products are designed by the company itself and manufactured with the help of external manufacturers except for wood products. AKDPL is currently sourcing from about 50 external vendors distributed throughout the country. AKDPL is also dealing with products produced by artisans. Many of these products are produced by certain communities in specific areas and have significant regional identities. A substantial amount of work on various products is done by workers who are classified as ‘home workers’. Homework is a necessity because some of the work is carried out by artisans who cannot be expected to work in factories/workshops or other organized settings because of the traditional

nature and culture of the sector and non-availability of continuous work.

For most of the products produced by external vendors, finishing and packing is done at AKDPL's factory. Value addition jobs and assembly of products are also being done in-house. With some of the products, more than one external vendor is involved in the production. In such cases, different parts are produced by different vendors and final integration is carried out at the AKDPL factory.

2. Challenges Identified During Needs Assessment

The nature of business in which AKDPL is involved requires extensive coordination among various external suppliers and manufacturers. It also requires extensive planning to make a product in collaboration with external vendors. The advantage of such large vendor based product sourcing is that many products can be produced simultaneously. On the other hand, maintaining expected quality is problematic and lack of control over the manufacturing schedules of the external producers makes lead times large and unpredictable. Most of the products of AKDPL are bulky in nature and require a lot of working space as well as storage space. Also, availability of raw materials (such as specific types of wood), can be a bottleneck in the manufacturing process.

CSR wise, managing the risk in the supply chain - especially on labour issues - is a key concern. At the time of conducting the needs assessments AKDPL's insight into labour and production related issues in its supply chain was very limited. Also, formal policies regarding CSR and formal business procedures between AKDPL and its suppliers and external vendors did not exist. Thus, there was an extensive need for identifying and addressing

CSR issues in the supply chain as well as for implementing a structured supply chain management system.

At the company's own production unit, scope for improvements also existed. Documented labour policies and procedures did not exist, written employment letters were not provided and formal tracking of working hours was not recorded. There was no formal means of ensuring communication between employees and the management and payslips were not provided. Furthermore, despite the legal requirements, employees were not covered under Employee State Insurance (ESI) or Provident Fund (PF) requirements.

With regard to emergency management and safety procedures there was no management system in place and fire fighting and first aid equipment was insufficient. The management of issues related to workers health was also not formalized and scope for improvements was apparent. Workers were reluctant to use personal protective equipment (PPE) and although PPE was provided, storage and maintenance of PPE was not systematized.

Except for the environmental issues related to the in-house paint booth, which was operated by a contractor, all other environmental concerns were of limited significance. However, waste management was not very structured and held some scope for improvement – especially with regard to inefficient use of raw material.

3. Action Plan Implementation

3.1. Supply Chain Management and related business benefits

Supply chain management was a special concern related to the business model of AKDPL compared to the other Indian companies in the SUSBIZ India project. Therefore, the company wanted to draw attention to CSR in - and general management of - its supply chain. Focus was to approach its suppliers with a partnership model. AKDPL was suggested to map its supply chain for each product and recommended to involve the external vendors and manufacturers in production planning. As a first step, AKDPL has now initiated the process of mapping its suppliers and vendors, starting with a few suppliers in each of the product categories. Experiences from this will be used to build a more extensive supply chain management system later in the process. The second step in engaging with the supply chain has been to establish a process of communicating with the vendors. This has been instituted and relevant insights into CSR and production related issues have been achieved. As a third step, AKDPL is intervening on relevant issues with regards to CSR. For instance, written guidelines on labour standards, health and safety and environment have been provided to the vendors in the local language. AKDPL is supervising its vendors in implementing the suggestions. In the future -when the CSR capacity of the vendors has been improved - AKDPL is considering putting specific CSR compliance requirements on the vendors. However, as the vendors are rather small family run businesses and often not very well organised, AKDPL acknowledges that real improvements cannot be realized over night and therefore must begin with supervision

and education instead of demands on compliance.



A vendor of AKDPL with AKDPL's supplier guidelines. The guidelines outline policies related to order giving and business between buyer and supplier as well as suggestions on CSR management and relevant issues of CSR intervention.

A specific problem, which often relates to family run and home base work set-up, is child labour. Determining when a child is actually working and when the child is just spending time with its family at the workplace can in some cases be difficult. Also, monitoring is a problem since the task of regularly conducting audits at the many home based workplaces is not financially feasible. As a consequence, the home based suppliers of AKDPL are being informed of the child labour policies of the company and occasional visits to home based suppliers are being supplemented by monitoring if the supplier's children are attending school or not. If children are not attending school, AKDPL makes an effort in assuring school attendance. This can easily be done as the schools are maintaining records of school attendance. Thus, taking a pragmatic and realistic approach to a complex issue, the likeliness that the children of AKDPL's home based suppliers are getting their education is highly increased.

Communication with the vendors, however, is not only limited to CSR issues. AKDPL has

formed a quality control team which visits the external manufacturers to provide assistance for quality improvement. AKDPL has also provided assistance in terms of technical expertise and commitment on long term business involvement with the suppliers. The way AKDPL is now engaging with suppliers has to a very large extent been inspired by the participatory and educative approach that the SUSBIZ project has taken towards the Indian SUSBIZ companies and towards the relation between Indian and Danish SUSBIZ companies. The approach has played a significant role in achieving the high enthusiasm and success of AKDPL in terms of implementing the CSR initiatives. Therefore, by taking a similar approach towards its suppliers, AKDPL hopes to ensure the buy-in of the company's own suppliers as well.

By involving more formally with its suppliers, the company is getting benefits of reduced lead time as well as maintaining the quality of the products. The increased communication with suppliers has also improved production planning. As a result of enhanced communication AKDPL now has a greater knowledge of the capacity of the supplier. This knowledge is integrated into the production processes at AKDPL's own factory. Hence, planning and adhering to schedules has improved and time and financial resources are being saved. Similarly, knowledge of supplier capacity has enabled coordination between order placement and delivery that puts less pressure on the supplier. As a consequence, quality has also improved.

An important prerequisite of AKDPL's high involvement in its supply chain has been, that many of its suppliers are located in the geographical vicinity of AKDPL, improving the potential for close engagement.

"We were interested in responsible supply chain management before, but we were working with it very randomly. This is the way that SUSBIZ has helped – now it's much more organized"

*Ayush Kasliwal
Owner and Director
AKDPL*

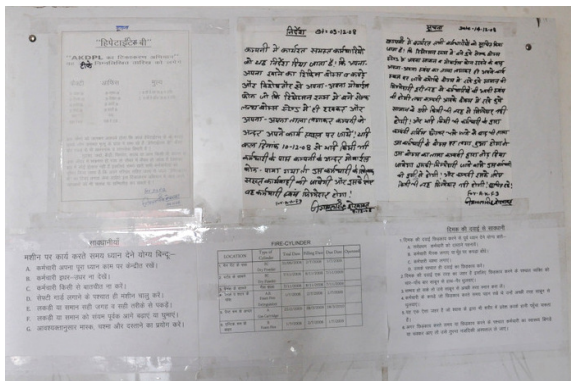
3.2 Labour Standards

At the AKDPL production unit a HR policy covering recruitment, remuneration, holiday leave etc. has been developed and implemented in the company and all employees have been provided appointment letters with terms and conditions. Personal files with details of each employee are being maintained and identity cards have been provided for all workers. The cards are also being used as swipe cards for electronic time keeping so working hours and overtime can better be tracked. Electronic timekeeping has been integrated with the provision of payslips. The identity cards also serve identification purposes outside the factory area. As an extra advantage some workers have experienced improvements when dealing with local authorities now that they can identify themselves. The management also reports that the identity cards make workers feel proud and gives them a sense of identity and connection to the company.

AKDPL has been gradually been increasing the coverage of employees and workers under Provident Fund (PF) and Employee State Insurance (ESI) schemes. All permanent workers are now covered under these schemes. However, newly employed workers will get covered only after completing a probation period. Currently almost 50 % of the total workforce has been covered. Before the SUSBIZ project none of the employees were covered under ESI or PF.

AKDPL has also developed and communicated to workers an extensive Standing Order document under the Industrial Employment (Standing Orders) Act validated by the local labour department. The Standing Orders formally explicate which disciplinary measures the company can take toward the workers under specific circumstances.

Practices of providing advances and loans to employees or facilitating loans from banks existed in the company before engagement in the SUSBIZ India project, but such practices were not backed by formal policies. Hence, AKDPL has developed and implemented a company loan policy where participation of the workers in disbursement of loans has been ensured. Workers receive the loans at a rate which is approximately 50 % cheaper than the rate from the formal loan market.



Policies on human resource management developed during the SUSBIZ program posted in the factory. All policies are posted on sign boards in the factory in the local language

With regard to freedom of association and communication with employees, AKDPL has constituted 4 working groups with joint representation from management and workers and enhanced the channel of communication. These committees mostly deal with production orientated issues. Furthermore, 3 committees related to first aid, fire safety and welfare have been established. A suggestion box has been

installed, but since many of the workers writing skills are insufficient to make written suggestions, as a supplement, monthly meetings are held with all workers participating. Issues are followed-up upon and records kept. Overall, the status of the company related to labour practices has improved considerably.

3.3 Occupational Health and Safety

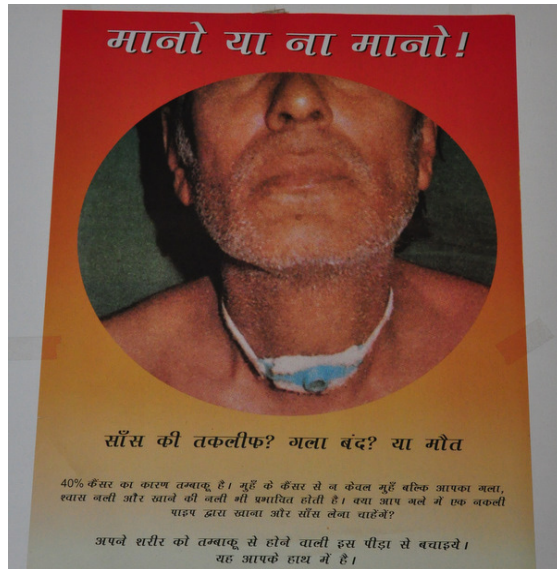
AKDPL has installed fire safety equipment and trained the workforce on emergency preparedness. First aid boxes have been set up and training has been provided to members of the first aid committee.



All members of the first aid committee have been trained in first aid techniques. The members are readily identifiable by arm tag in case of emergency

AKDPL has also developed a safe operating procedure (SOP) posted at the factory in the regional language. Health check-up camps for all workers have been organised with the help of qualified physicians and AKDPL is maintaining the health records of the

workers. Health check up has also been formalised, check up is organised twice a year for all workers and at the time of employment for new workers.



Awareness training conducted at health camps addressing the dangers of not using PPE and chewing tobacco are supplemented by posters displayed in the factory: "Would you like to breathe through your throat?"

The health check up camps not only addresses direct on-job related issues but also other issues. For example, AKDPL recognized that around 30 % of its employees were chewing tobacco. This involved a hygiene problem and a human resource problem for AKDPL as well as a health and financial problem for the employees. The employees estimated that they spend approximately 10 % of their income on tobacco. Therefore, education on health risks involved in tobacco chewing was addressed at a health check up camp where a physician from the local cancer hospital was invited. Furthermore, training focussed on the consequences of not using personal protective equipment (PPE). AKDPL found a need for this kind of awareness training since employees have been very reluctant in using the PPE provided.



Though usage of PPE is an issue that still needs attention because of workers reluctance, usage has improved - especially when workers are dealing with more hazardous substances. Also, as a result of the on site training a turning mechanism has been installed. Now the painter can turn the table instead of having to walk around it when painting. This way the painting process is more comfortable, time is saved and the painter avoids walking into paint fumes.

Resulting from the workshop on LEAN management AKDPL has undertaken initiatives to increase productivity in consultation with the workers and implemented a procedure of job classification. Inspired by the workshop, and with the inputs from workers, new work-friendly tool storage cabinets have been designed and constructed. Earlier, tools were mixed and stored in boxes. Now, tools are sorted and readily available. This prevents workers from cutting their fingers when searching for tools and ensures an efficient and more comfortable workflow. An estimated 30 minutes per day per worker is saved on time spent in searching for tools.



New tool storage cabinets have designed by the workers (right side of the picture). Workers were suggested to use chairs for better comfort but wanted to sit on the floor as they felt more comfortable this way. In stead of chairs, soft cushions and insulating mats have been provided.

Storage of raw material, finished products, samples and other accessories have been clearly marked and put in a system for increased efficiency. These initiatives have benefited both the working process in regards to worker comfort as well as increased production efficiency.

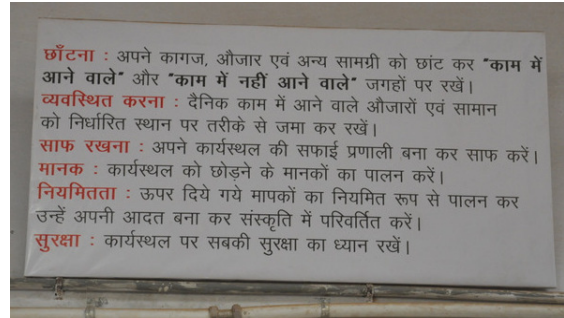
“The LEAN workshop opened up a lot of windows immediately. The cabinets were a very nice outcome because it was not my idea; the workers came up with it when we talked about what could be improved after the LEAN workshop.”

*Ayush Kasliwal
Owner and Managing Director
AKDPL*

3.4 Environmental improvements

Constant training has been provided to the workforce on optimal use of raw material and a formal policy on use of material has been implemented to ensure minimum wastage. As a result inefficient use of raw material has decreased.

Wastes from the production processes are systematically managed by the company and AKDPL is now using energy saving illumination in the factory.



Keeping the workplace clean, safe and in order for the benefit of workers and environment. Awareness raising is done through training and the focus is retained by a reminder: The 5S stages of LEAN management posted at the factory in the local language: Sort, Set in order, Shine, Standardize and Sustain. A sixth stage – Safety - has been introduced.

Waste is now being segregated at the point of generation, saving time when waste is reused and generating additional income when waste is sold, as segregated waste is sold at a higher rate.



Awareness rising regarding use of raw material. Each type of wood and its cost price is posted at the factory. As a result, waste of raw material is reduced and money as well as environmental resources are saved. Emeraency exists are also now clearly marked.

Regarding the paint booth and paint sludge being collected at the factory, it has been difficult to find a company handling paint sludge. Until a paint sludge handling company can be found, the sludge will be collected and stored at the factory.

4. Business benefits

Attrition rates have not been a significant concern faced by the company. However, considering the high-end designer products

AKDPL is producing, retention of skilled employees in the company is critical to ensure quality and productivity. AKDPL reports that overall the employees have been welcoming the initiatives taken and appreciate their workplace. Thereby, the potential of retaining the skilled workers has improved.

<p>Business Improvements at AKDPL</p> <ul style="list-style-type: none"> - A supply chain management system has reduced lead times, improved quality and enabled better planning of production by the suppliers as well as at AKDPL. - Together with increased efficiency and a more dependable workforce, this has laid the foundation for expanding the business. - The Danish SUSBIZ partner is now branding its business on CSR. Indications are that this will attract new large orders to the benefit of the Indian as well as Danish partner. - Rs. 20.000 – 30.000 have been saved by environmental improvements. - Risks with regard to occupational health and safety have been reduced, minimizing risks of accident-related financial costs.
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According to AKDPL total saved expenses from the environmental initiatives taken at the factory sums up to approximately Rs. 20.000 – 30.000 per month. AKDPL has not been able to calculate how much production efficiency has increased because of the LEAN management initiatives taken, but the impression is that the flow of production is much more efficient now.

<p><i>“Now we have the courage to say that we do the right thing”</i></p> <p style="text-align: right;"><i>Ayush Kasliwal</i> Owner and Managing Director AKDPL</p>
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The Danish SUSBIZ partner of AKDPL – mater design - is now increasingly branding its products on sustainability. This would not have been a feasible strategy without the improvements at AKDPL. Within the given market, sustainability is a niche and mater design expects increased business growth as larger scale buyers have already shown interest in mater designs socially responsible

products. Furthermore, due to the business development and capacity building that has taken place at AKDPL, mater design now feels confident that AKDPL can manage the handling of larger orders and meet schedules on time. Therefore, mater design is now very inclined to place larger orders at AKDPL. The likelihood of this happening is very apparent, because of the increased interest from large scale buyers.

This goes well in hand with the business prospects of AKDPL. The company is in the expansion phase and willing to increase its production capacity. In the next couple of years there are plans to improve the factory infrastructure by adding three more floors and adding necessary equipment.

<p><i>“In terms of expanding business it has given us a very solid foundation – business is more efficient, the workforce is more dependable and we’re getting things done on time”</i></p> <p style="text-align: right;"><i>Ayush Kasliwal</i> Owner and Managing Director AKDPL</p>
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Another business benefit occurring from participation in the SUSBIZ programme is that health and safety risk is now managed in a structured manner. The benefit of this may not be felt directly on the bottom line, but holds a large potential of avoiding unforeseen accident-related expenses in the future.

<p><i>“If you saw the shop floor 1½ years ago it was crowded and haphazard, it’s a huge improvement from earlier “</i></p> <p style="text-align: right;"><i>Ayush Kasliwal</i> Owner and Managing Director</p>

5. Future activities and challenges

AKDPL has been adopting a proactive approach to minimise the risks and utilize the business opportunities with regard to the CSR issues confronting the company. Most of the issues identified for improvement have been

addressed by the company through on-ground activities and supporting policy documents. Yet, certain areas can still benefit from increased focus and in-depth attention.

First of all it should be assured that all workers are enrolled under the ESI and PF schemes. According to AKDPL, one reason that only 50 % are enrolled is that there are a lot of new workers and their probation period should be over before enrolment.

Paint sludge generated from the paint booth is also of serious concern. Though AKDPL is addressing the issue and collecting the sludge, means of disposing it in an environment friendly manner has to be found. However, the reason for this problem lies with the lack of sufficient waste handling companies in the area and not with the management of AKDPL.

AKDPL is already taking steps in the direction of further improvements within other areas. For example, information on the situation and spending patterns of workers is systematically recorded to identify issues that need attention the most. For instance, AKDPL have been considering supporting child education among the children of its workers, but realising that the vast majority of the children are attending school, this idea was abandoned. Thus, the recorded information will be used to design relevant initiatives aimed at benefiting the workers in the future.

For instance, AKDPL is considering cooperative buying in the form of bulk purchase of solar powered cooking stoves for the workers. If this consideration is being realised, the discount received from bulk ordering will be transferred directly to the workers. This initiative has the possibility of saving the workers expense used on fuel for cooking stoves as well as decreasing CO2 emissions.

AKDPL - Improvements at a Glance

- Implementation of supply chain management system has been initiated: Formal policies on order placing, delivery and payments have been designed and written suggestions on CSR improvements among suppliers have been provided. AKDPL is supervising suppliers on how to improve on CSR and providing suppliers with loans in certain cases.
- 50 % of all employees (and 100 % of permanent employees) covered under Employee State Insurance and Provident Fund. Remaining employees will be covered gradually during 2009
- Standing Order Document explicating disciplinary procedures has been developed and approved by the local labour department
- First aid, fire safety and welfare committees established with participants from all organisational levels
- Health training and check ups conducted. Future health check ups will be conducted at employment for new employees and twice a year for all employees
- Assessment of workers needs initiated with the purpose of addressing the most critical issues.
- Tracking of working hours has been implemented
- Emergency management systems and fire fighting and first aid equipment has been set up.

As most of the issues identified for improvements have been addressed, the most significant challenge for AKDPL in the future lies in making sure that the policies, routines and management systems - that have been developed - are disseminated into every part of the organisation and that the improvements are sustained over time. The potential for this seems quite apparent because of the strong linkage between CSR and business benefits at AKDPL and because of the focus on CSR branding by their Danish partner. Simply put the SUSBIZ project has been good business for AKDPL, thereby increasing the sustainability potential of the improvements.

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