

SUSTAINING BY WORKING AT THE BOTTOM OF THE PYRAMID: A CASE OF INDIAN RUGS MANUFACTURING COMPANY

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Abstract. *The rural areas are highly sensitive to contemporary economic and social change phenomena, such as globalization as they are required to restructure and readjust, probably to a greater extent than the rest of society, and this imperils social cohesiveness¹ in the small communities that are the warp and weft of rural areas. Thus to varying degrees, globalization is resisted by societies concerned with the social and environmental implications of large companies operating throughout the world. The present paper highlights the same through a company exporting rugs globally from rural India. The present work has potential inclusion of corporate social responsibility (CSR) concept in the small and medium sized enterprise by introducing the essentials of CSR conceptually and relating it with an Indian rug manufacturing company.*

Keywords: *Global Supply Chain, Standard of living, Carpet weavers, Corporate social responsibility, Triple bottom Line, CSR orientation of Employees, Stakeholders, Corporate reputation, Business and Society.*

1 For the purpose of this paper, social cohesion is the more basic concept; it is the sense of attachment among people in established groups. Further in communities, the level of social cohesion is reflected in the strength and density of the social relationships and networks found there. When social cohesion has been transformed into an asset to be used in conjunction with other community assets in response to realize a desired outcome the term social capital would be used.

Background and Introduction

Background. As globalization and its consequences continue apace, interest in civil society and community revitalization for different world regions and cultures appears to be increasing. Hence at this stage it is necessary to constitute strategically a business framework keeping development in consideration for action on people's ability to mobilize for the purpose of making intelligent and effective use of the resources available to them. In implementing sustainability practices in a global supply chain companies usually face difficulty in overcoming cultural, environmental, and communication differences.

Introduction. Sustainable development is the concept of meeting the needs of the present without compromising the ability of future generations to meet their own needs. It is an integrated holistic long-term (incorporating inter and intra generational concerns) development including economic, social and environmental development while sustainability is seen as an ability to operate in perpetuity. *Sustainable business practices* are defined as corporate policies and actions that attempt to satisfy various stakeholder groups of the firm in order to ensure long-term competitiveness. This definition of sustainability expands the common definition "sustainable practices ensure that present needs are met without compromising the ability of future generations to meet their needs"² to include other stakeholder groups in addition to the environment. Globalization refers to the cross-border flow of people, products, information, and money. Communities in which business operates are highly sensitive to contemporary economic and social change phenomena, such as globalization as they are required to restructure and readjust, probably to a greater extent than the rest of society, and this imperils social cohesiveness especially in the small communities. Thus to varying degrees, globalization is resisted by societies concerned with the social and environmental implications of large companies operating throughout the world. Therefore, it becomes increasingly important for organizations to attempt to be proactively responsive to social and environmental issues in order to improve social concerns. Principles, through which companies can support rural communities towards sustainable development, must include the following: The development must rely on knowledge acquired by experience and local know-how. The rural people themselves have acquired skills in three major areas which, applied together, can lead to sustainable development. They have mastered the arts of making productive use of their natural environment, managing their economic development, and structuring their social organization; protecting and maintaining the social diversity to which rural communities contribute; an integrated, all-inclusive approach in which, logically, efforts to identify economic opportunities, ecological constraints and social expectations should all proceed hand in hand. Sustainable rural development presupposes a harmonious balance among all three aspects: environmental protection, economic viability and an adequate response to local expectation. In economic terms,

2 Mefford, N. R. The Economic Value of a Sustainable Supply Chain. *Business and Society Review*. 2011, 116(1): 51.

rural development involves an unvarying concern with economic feasibility, i.e. the availability of remunerative markets for rural products or employment opportunities; mobilisation of entrepreneurial social capital and social infrastructure; Support in community capacity building. It is a process whereby individuals, groups, organizations and societies strengthen their ability to identify and overcome obstacles to development on a sustainable basis. Support for education and health of the rural people; development and implementation of such policy which is based on the above mentioned principles.

Objectives. The present work will throw light on the general concept of globalization and sustainability or corporate social responsibility and the dynamics of underlying social and economic factors by outlining CSR practices and discussing for its role in development of community through the Jaipur Rugs case.

Organisation of the Paper. The paper has been divided into three sections. The first one is: the introductory section, the second section will present the literature review along with the case of the company under study; its operational entities and practices. The strategies adopted by the company for its production and quality management programmes in the rural area where most of its employees are illiterate, has been incorporated in globalisation and community section of the literature review so as to forward the practical aspect of the presented theory. The third section considers the benefit of sustainable supply chain practices to other stakeholder groups of the firm; summarizes the major points for drawing concluding remarks.

Research Approach. In order to carry the task in hand a case study aims to give an in-depth understanding of a specific situation. The case study gives a holistic view of an issue by examining real-life events by posing “how” and “why” questions about contemporary set of events over which the investigator has little or no control. A case study may be used for a wide range of purposes in business, politics, and social work³. Since the approach of study is to focus on understanding, interpretation and discovery rather than trying a hypothesis the researcher has taken abductive approach, qualitative method to achieve the objectives of her study through unstructured and open-ended interviews conducted during the August 2009, 2010 and 2011. The organization under study was first contacted through email followed by telephonic interviews, site viewing and personal interview with Mr. Nand Kishore Chaudhary, CEO Jaipur Rugs Company; Dr. Sanwar Singh Yadav, Human Resource Manager Jaipur Rugs Company who with patience not only provided organizational information but made the author interact with company employees, summer interns and also the artisans. The notes were taken during the interviews the company has provided video clips⁴ of various television channels covering the organization in its regional programmes and news along with company’s own presentation. The organizational survey and preparation of the case took almost one and a half year to come into its present shape especially the updates of JRF which are provided by the company after March 2011.

3 Merriam, Sh. B. *Qualitative Research and Case Study Applications*. San Francisco: Jossey-Bass Inc., 1998, p. 35.

1. Literature Review

Corporate Social Responsibility (CSR)⁵: Evolution in the CSR research since 1950s shows that CSR is a base point or element of broader concepts. It is prominent concept in academia (Lockett, Moon & Visser⁴; Margolis & Walsh⁵; Walsh, Weber & Margolis⁶). Although like with any other process based on the collective activities of communities of human beings (as companies are) there is no “one size fits all” or single, commonly accepted definition of CSR, but a number of organizations and companies have their own interpretation of CSR (ORSE⁷; Baker⁸; McWilliams and Siegel⁹; McWilliams *et al.*¹⁰; Rodríguez *et al.*¹¹; Carroll¹²; Jones¹³; Whitehouse¹⁴; Tyagi¹⁵). There has been continuous debate about the meaning, approaches, and even the terminologies used to explain the “beyond mere profit” orientation of businesses. According to Carroll¹⁶; Ougaard and Nielsen¹⁷ these range from Corporate Social Responsibility to Sustainable Development, from Business Ethics to Corporate Social Contract, from Corporate Accountability to Business in Society and from Corporate Citizenship to Corporate Governance. The CSR is an expanded expression of CR, Corporate Responsibility¹⁸. Corporate sustainability, corporate sustainable development, corporate responsibility, and corporate citizenship approaches are similar to CSR¹⁹. Corporate -citizenship, sustainable entrepreneurship,

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- 4 Lockett, A.; Moon, J.; Visser, W. Corporate social responsibility in management research: Focus, nature, salience and sources of influence. *Journal of Management Studies*. 2006, 43(1): 115–136.
 - 5 Margolis, J. D.; Walsh, J. P. Misery loves companies: Whither social initiatives by business? *Administrative Science Quarterly*. 2003, 48(2): 268–305.
 - 6 Walsh, J. P.; Weber, K.; Margolis, J. D. Social issues and management: Our lost cause found. *Journal of Management*. 2003, 29(6): 859–882.
 - 7 ORSE. 2004. Presentation – Definition of Corporate Social Responsibility [interactive]. [accessed on 29-01-2004]. <<http://www.orse.org>>.
 - 8 Baker, M. The Media and Social Responsibility. *Business Respect*. 2004, 70.
 - 9 McWilliams, A.; Siegel, D. Corporate social responsibility: a theory of the firm perspective. *The Academy of Management Review*. 2001, 26.
 - 10 McWilliams, A.; Siegel, D.; Wright, P. Corporate social responsibility: Strategic implications. *Journal of Management Studies*. 2006, 43.
 - 11 Rodríguez, P.; Siegel, D. S.; Hillman, A.; Eden, L. Three lenses on the multinational enterprise: politics, corruption, and corporate social responsibility. *Journal of International Business Studies*. 2006, 37: 733–746.
 - 12 Carroll, A. B. Corporate social responsibility. *Business and Society*. 1999, 38.
 - 13 Jones, T. M. The institutional determinants of social responsibility. *Journal of Business Ethics*. 1999, 20(2): 163–179.
 - 14 Whitehouse, L. Corporate Social Responsibility – Views from the Frontline. *Journal of Business Ethics*. 2006, 63.
 - 15 Tyagi, R. K. Benchmarking social responsibility. *Journal of National Development*. 2007, 20(2).
 - 16 Carroll, A. B., *supra* note 12.
 - 17 Ougaard, M.; Nielsen, M. E. Beyond Moralizing: Agendas and Inquiries in Corporate Social Responsibility [interactive]. [accessed on 30-06-2004]. <<http://www.cbs.dk>>.
 - 18 Löhman, O.; Steinholz, D. Det ansvarsfulla företaget, Ekerlids förlag, Stockholm in Herbert, C. M. and Schantz, C. 2007. Communicating Corporate Social Responsibility – Brand management. *Journal of Business Ethics and Organization Studies*. 2003. 12(2): 4–11.
 - 19 Industry Canada. Corporate Social Responsibility [interactive]. [accessed on 04-01-2008]. <<http://strategis.ic.gc.ca/>>.

triple bottom line, corporate responsibility, and business ethics are sometimes used interchangeably to explain the socio-environmental orientation of companies²⁰. The role of business in society and the way it is perceived by society have undergone many changes²¹. Adam Smith's work, 'The Wealth of Nations', is considered as the landmark of modern capitalism²². Smith's proposition states that when business is free to pursue profits and efficiency, it eventually benefits the common good, i.e. it serves both its interests and those of society at best²³. Socially responsible firms tend to gain positive public reputations²⁴. Milton Friedman's neo-classical position draws upon the Smith's argument by explaining that profitability is the ultimate social responsibility of business, if done in an ethical way and in obedience to the law. Milton Friedman suggested that "there is only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, engages in open and free competition, without deception and fraud."²⁵ Friedman stated that the only responsibility of the company is to maximize profit, but added that business has four basic obligations to society: to obey the law; to provide goods and services; to employ resources efficiently and to pay resource owners fairly in accordance with market. According to him, corporate executives have no right to use the funds of the shareholders, customers or employees for social interests or programmes.²⁶ CSR incorporates two elements-(Sufficient focus by the enterprise on its contribution to public prosperity in the longer run; The relationship with its stakeholders and society at large.²⁷ The whole environment in which enterprise operates has changed, and the firm's relationships to various individuals and organisations (stakeholders) have shifted from essentially transactional to truly relational.²⁸ CSR encompasses actions oriented toward stakeholders which are beyond the scope of traditional corporate activities, involving, for example, the environment, NGOs or social groups. These actions are likely to alter

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- 20 Panwar, R.; Rinne, T.; Hansen, E.; Juslin, H. Corporate Responsibility: Balancing Economic, Environmental and Social issues in the Forest Product Industry. *Forest Products Journal*. 2006, 56.
- 21 *Ibid*.
- 22 Smith, A. *The Wealth of Nations*. London: Everyman's Library, 1991.
- 23 Joyce, H. Adam Smith and the Invisible Hand. 2001, Issue14 [interactive]. [accessed on 25-12-2006]. plus.maths.org/issue14/features/smith/2pdf/index.html/op.pdf; Lantos, G. P. The boundaries of strategic corporate social responsibility. *Journal of Consumer Marketing*. 2001, 18(7); INSEAD final report, (2006), 'Understanding and Responding to Societal Demands on Corporate Responsibility: Citizens and Governance in a knowledge based society', Sixth framework programme 2002-2006 [interactive] [accessed on 31-01-2008]. <http://www.insead.edu/v1/ibis/esponse_project/documents/response_FinalReport.pdf>.
- 24 Fombrun, C.; Shanley, M. What's in a name? Reputation building and corporate strategy. *Academy of Management Journal*. 1990, 33(2).
- 25 Friedman, M. *Capitalism and Freedom*. Chicago: University of Chicago Press, 1962.
- 26 Cannon, T. *Corporate Responsibility-A textbook on Business Ethics, Governance, Environment: Roles and Responsibilities*. London: Pitman Publishing, 1994, p. 37–38.
- 27 Tyagi, R. K. Benchmarking social responsibility. *Journal of National Development*. 2007, 20(2).
- 28 Post, J. E.; Lawrence, A. T.; Weber, J. *Business and Society: Corporate Strategy, Public Policy, Ethics*. New York: McGraw-Hill, 2002; Simmons, J. Managing in the post-managerialist era: towards socially responsible corporate governance. *Management Decision*. 2004, 42(3–4): 601–611; Buhr, H.; Grafström, M. The Making of Meaning in the Media: The Case of Corporate Social Responsibility in the Financial Times, 1988-2003 [interactive]. [accessed on 05-01-2008]. <www.fek.uu.se/gems/publications/Buhr_Grafstrom_CSR_2006.pdf>.

dynamics between corporations and their employees, creating a need for employees to reciprocate positive corporate social behaviour.²⁹

2. Why Corporate Social Responsibility

Over time, awareness of the impact of business and its interplay with societal and environmental concerns has emerged, along with parallel growth of socio-regulatory pressures.³⁰ This evolution of business and societal concern has led business to gradually re-embrace its formerly displaced social orientation and assume increased responsibility and consideration for both social and environmental well-being.³¹ The corporate response to environmental and social issues, commonly known as corporate responsibility (CR) or corporate social responsibility (CSR), has been studied by many pioneering authors and is viewed as progressing through the following three stages: profit maximization management, trusteeship management, and “quality of life” management.³² Further being socially responsible should be a priority for a company and the public has a right to expect a responsible corporate, operating in society.³³

3. Globalization and Community

Globalization and Community (in context to Jaipur Rugs, the company under study, rural community and its development). The *rural* covers all communities and territory not considered urban or metropolitan and *Globalization* refers to the cross-border flow of people, products, information, and money. The rural areas are highly sensitive to contemporary economic and social change phenomena, such as globalization as they are required to restructure and readjust, probably to a greater extent than the rest of society, and this imperils social cohesiveness³⁴ in the small communities that are the warp

29 Blau, P. *Exchange and power in social life*. New York: Wiley, 1964; Gouldner, A. W. The norm of reciprocity: A preliminary statement. *American Sociological Review*. 1964, 25(2): 161–178; Molm, L. D.; Cook, K. S. Social exchange and social networks. In: Cook, K. S.; Fine, G. A.; House, J. S. (eds.) *Sociological perspectives on social psychology*. Boston, MA: Allyn & Bacon, 1995, p. 209–235.

30 Panwar, R.; Rinne, T.; Hansen, E.; Juslin, H., *supra* note 20.

31 Mefford, N. R. The Economic Value of a Sustainable Supply Chain. *Business and Society Review*. 2011, 116(1): 109–143; Tyagi, R. K. Indian Perspective on Ethical Implementation in Academic and Business Community: A Discourse through Case Study on Education and Industry. *Paper Presented in absentia at International Conference. December 09-10, 2010 UNESCO Chair, Russian State Pedagogical University. Alexander Herzen, St. Petersburg, 2010.*

32 Hay, R.; Gray, E. Social responsibility of business Managers. *Academy of Management Journal*. 1974, 17: 135–143.

33 Tyagi, R. K., *supra* note 31.

34 For the purpose of this paper, social cohesion is the more basic concept; it is the sense of attachment among people in established groups. Further in communities, the level of social cohesion is reflected in the strength and density of the social relationships and networks found there. When social cohesion has been transformed into an asset to be used in conjunction with other community assets in response to realize a desired outcome the term social capital would be used.

and weft of rural areas. Thus to varying degrees, globalization is resisted by societies concerned with the social and environmental implications of large companies operating throughout the world. Therefore, it becomes increasingly important for organizations to attempt to be proactively responsive in order to improve social concerns. Communities experience the effects from globalization in two basic ways: In their structural elements including changes in economic markets; in and out migration, patterns of governance, and dominant ecosystems; The processes of community life including changes in beliefs and values, altered social relations, adjustments in household dynamics related to labor market shifts, and/or alterations in how existing ecosystems function [1, 10, 11, 12, 15]. The factors affecting rural society are-Developments in information technology, population pressures, environmental concerns, and economic interests. Most recently, globalization; advances in communication technologies; and the emergence of ethical investment opportunities have resulted in an increased focus on corporate responsibility. Advances in the area of information technology have facilitated instantaneous global information flow at an extremely low cost. Easy access to detailed information on corporate activities has increased transparency and heightened public awareness regarding the impacts of corporations worldwide. Providing a means by which companies can communicate their social and environmental orientation to a global audience. For example, more than 80 percent of Fortune500 companies address CSR issues and actions on their corporate websites as Corporate social responsibility (CSR) practices are present day strategic moves towards sustainable development. The present work will throw light on rural development by outlining CSR practices through a case study on the Jaipur Rugs India. Jaipur Rugs is a handmade carpet manufacturer of India with a reach to about 40,000 artisans in rural India. Jaipur Rugs provides a unique and dynamic example of how to deliver the value to the customers while concurrently improving the standard of living of the artisans. The company is benefiting the workers (weavers) by connecting them with global markets. The firm is working on the Triple-E bottom line demonstrating-economical viability through rural employment and highly decentralize organizational structure which with the help of Bhoomika wools (sister concern of Jaipur Rugs) convert almost all of its costs into variable costs and dramatically decrease its fixed costs; social and environmental equitability through Jaipur Rugs Foundation which recruits and trains new weavers for the company, leverages synchronization with other NGOs that provide health care and education to the weavers. Thus they are operating on the social cohesiveness to turn it into social capital through the self help groups working with Jaipur Rugs foundation (JRF) is a non-profit organization that catalyzes sustainable livelihoods for people engaged in the entire carpet value chain by empowering them to establish collective enterprises through enhancing their artesian and business skills. It has a vision statement, “Sustainable livelihoods for people engaged in carpet value chain, empower them to become entrepreneurs”. Social cohesion and social capital in rural communities and their tight relationship is presented with the help of figure 1.

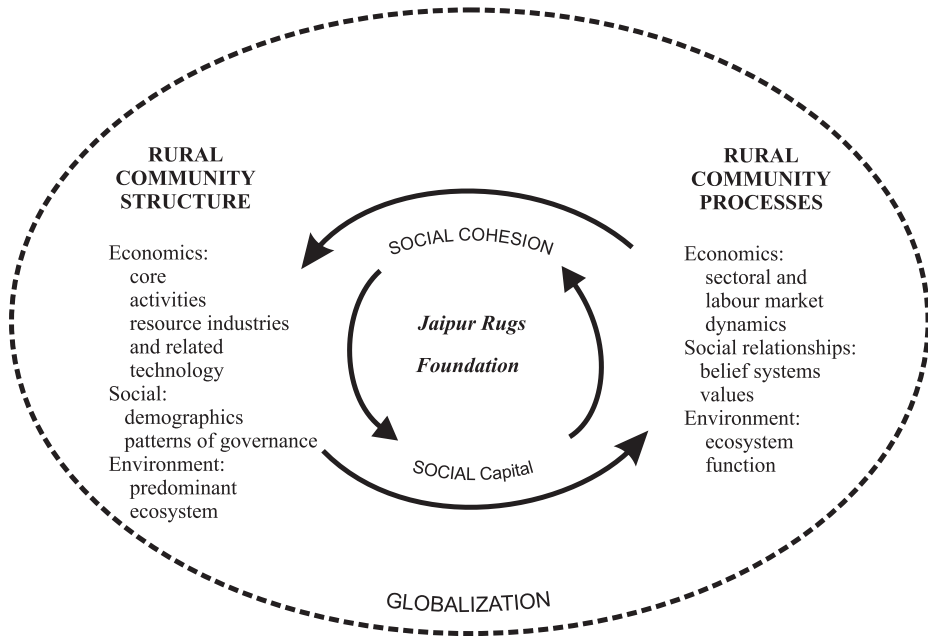


Figure 1. A conceptual model of the factors influencing social capital and cohesion in rural communities adapted from Connell, David J and Ellen Wall

The social cohesion and social capital are subject to a wide number of interpretations. Perhaps because of the diverse interests using the terms, definitions can be difficult to distinguish. For the purposes of this paper, social cohesion is the more basic concept; it is the sense of attachment among people in established groups. In communities, the level of social cohesion is reflected in the strength and density of the social relationships and networks found there. When the term social capital is used, it indicates that social cohesion has been transformed into an asset to be used in conjunction with other community assets (for example, human, financial and natural capitals) in response to stresses or to realize a desired outcome. One way to assess the level of social cohesion or the richness of social capital in a community is to examine the voluntary sector where individuals freely associate in pursuit of common interests and goals. The assumption is that community organizations provide rich opportunities for people to affirm and re-affirm their common values, to build up trust and obligations, and to establish their attachment to, and identity with, their communities. The voluntary sector has been described as the fabric of rural communities, meeting the need for services locally in the absence of private sector or public sector delivery of services³⁵. The concept of “social capital” refers to the various

35 Bruce, D.; Halseth, G. *The Role of Voluntary Organizations in Rural Canada: Impacts of Changing Availability of Operational and Program Funding*. Canadian Rural Restructuring Foundation, 1999.

(collective) “capacities” that play a part in the social vitality and economic viability of any community. The three main dimensions of social capital, which are potentially measurable, are as follows: Symbolic diversity- receptiveness of different persons, ideas or forms of behaviour; Investment/reinvestment capacity, i.e. the ability to mobilize resources (time, money, volunteer labor and so on) for community activities, and the ability to work together; The ability to establish networks and links with the outside world, including, in particular, skill in securing advantages from governments. All three dimensions are better taken care of by the company under study through its not for profit foundation JRF through following activities: Skill building/Up gradation training: JRF is currently training 8000 people across the carpet value chain in the states of India -UP, Bihar, Jharkhand, Rajasthan and Gujarat and has the plans of reaching 1,00,000 people by 2015 from the current level of 40,000; Adult Education Programme: JRF has initiated Adult Education Programme for the illiterate people working in Carpet Industry. The programme is currently running in Alwar district of Rajasthan (India) covering 50 adult women from each village where the company is operating. The foundation plans to cover 30,000 illiterate artisans by 2015 spreading to 600 villages across the country; Health Camps: JRF arranges health camps for carpet artisans in its operational areas. The idea is to provide better health facilities to the artisans and thereby improving their health status; Community mobilization and group formation: JRF believes that the poor need to be mobilized and their groups should be formed in order to ensure collective development and to mitigate the risk factors associated with the entrepreneurship. JRF has started promoting Community Entrepreneurship Groups (CEGs) where the group of poor will operate as suppliers to Carpet Export Houses. This will help in eliminating the middlemen from the value chain and will also help in increasing their income levels. A byproduct of this initiative is higher group cohesion leading to elimination of various social evils (middlemen exploitation, illiteracy, child labor etc.) from the society. By undertaking proactive activities for their global supply chain, JRF wishes to ensure that the people (social cohesion) not only get assured income (social capital) staying in their own villages but are also assured of good quality of life through -enhanced skills of existing and potential artisans to enable them to meet the market demand; and eradicate exploitation, institutionalize fair trade practices in carpet industry and develop conducive environment for people to get attracted towards carpet making as an occupation.

4. The Case

The Company under study produces handmade area rugs, including the hand-knotted, hand-tufted, and flat woven styles with fiscal year revenue of USD \$ 21.1 M and a compound annual growth rate of 38 percent from 2005-08 and has grown to become 660million Company expecting to touch 1,500 million in the next three years. It has a multifaceted web of human resources with direct (303) and indirect employees (approximately 41,000). The company operates in a highly decentralized manufacturing and logistics system. Its’ operation is divided into four different entities

all held accountable by a member of the owners immediate family. These are Jaipur Rugs Company (JRC), Jaipur Rugs Incorporated (JRI), Bhoomika Wools (BW) and Jaipur Rugs Foundation (JRF) a non-profit organization established in 2004. The JRC headquarters is in Jaipur and a showroom for final products is in International Home Deco Park (IHDP) in Delhi (the capital of India). The company has 22 branch offices throughout northern and western India. While the JRI headquarter is in Atlanta, Georgia; it employs 17 people, mostly in sales positions (July 2008). The Jaipur Rugs Foundation (JRF) support the organization from the derivation level it has five employees based in Jaipur Rugs headquarters and twelve field employees working with the communities where the company has operations; this is the direct human resource operating under the umbrella of the company while it ha approach to 40,000 indirect human resource (28,000 weavers and 12,000 other laborers involved in the manufacturing process). The company is solely into exports and now it is exporting to South Africa, Turkey, United Arab Emirates, United Kingdom, Japan, Italy and Germany. The coordination of activities across these multiple legal entities impart Jaipur Rugs with - Access, but not ownership, to specific skills; Influence, but not control, over key processes; Decentralization of investment. Thousands of independent workers are organized on a unique, complex decentralized system to produce consistently a quality product. The company not only uses traditional weavers but also teaches, trains in extremely short time, the craft to people who do not have a tradition of weaving. Raw materials are sourced from around the world, processed into rugs with traditional and new designs in rural India while maintaining quality control of end products. The company has Enterprise Resource Planning (ERP) system to optimize its geographically diverse supply chain allowing it continuity of work, institutionalized quality control, and achieving scale; for creating well designed communications networks to deliver raw materials, communicate with weavers, and track the progress of work in remote villages with no electricity through company's branch office staff in order to effectively manage a highly human capital-intensive process. The area commanders are provided with booklet for recording the physical condition of loom and quality of weaver. This information is fed on weekly basis and is provided to the end customer through ERP system. Another attention-grabbing of the company is the design and creation of the build sheets, known as "maps" to quickly respond to changing customer preferences and business needs. The maps give the weavers (who by and large have minimal education) easily understandable instructions on where to put each strand of different colored yarn. Because of the way the maps are designed, a weaver essentially needs no training to produce a new design on a given loom. To increase their durability these maps are laminated. Further the weavers use the rhymes to give the knitting instructions to each other around the loom. It takes almost three months for a rug to take its final shape further as many as thirty people work on one rug till it reach the packaging department. Efficient supply chain is another asset to the company. The weavers are not responsible for picking up the raw materials and delivering back the woven rugs to the branch office saving the weavers significant time and money in transportation. The Nonprofit entity (JRF) recruits and trains new weavers for the company. This not only motivates them to work for the company but

also has impact on the workers social life. It also leverages agreement with other NGOs that provide health care and education to the weavers. The company also provide loans to the contractors with fair track records and work experience with the company giving them opportunity for being link in the overall production process this in turn not only add to the incomes and capabilities but also social standing of the contractors.

Discussion and Conclusions

Discussion. The gap between the growing global recognition of the importance of sustainable development principles and actual business practice may be due to lags in strategy implementation, or to lack of real commitment, or simply to unrealistic expectations on the part of sustainable development advocates. Government regulatory officials and environmental interest groups sometimes overlook or ignore the fact that corporations are in business to earn profits and create wealth. They are not charitable organizations or public interest groups. Their leaders' perceptions of how to achieve sustainable development will be influenced by their overall business strategies and by market conditions. Neither regulatory control alone nor interest group pressure is likely to force them to move beyond compliance with legal requirements, unless they see sustainable development activities as competitive advantages³⁶ Disparate to it the five N.K. Chaudhary children that head up different areas of the company, many of the area commanders and entrepreneurs who own the businesses are key parts of the production processes and got their start as weavers for the company suggesting that socially responsible business practices not only enhances a corporation's reputation for prospective employees by increasing organizational attractiveness and firm familiarity, but also influences incumbent employees. Jaipur Rugs is developing human capability and skills of thousands of independent workers organized in a unique, complex, decentralized system with raw material sourced from around the world, processed by traditional weavers (and also those whom JRF trains) into rugs while maintaining quality control. Through this the company connects the proletariat with global markets (where company has assess) while providing them steady incomes. The Jaipur Rugs management recognizes the importance of international quality standards and is certified with ISO 9001:2000 and ISO 14000 certification; this is more important as its business model does not provide for a direct control and when the rug industry is identified for issues related to deployment of child labour. As it is already discussed in the literature review part that the development must rely on knowledge acquired by experience and local know-how. The present case illustrates that the rural people have mastered the arts of: making productive use of their natural environment, managing their economic development, and structuring their social organization with the support of JRF which in turn is also utilized by the company as it is providing the base to JRC business model and a incessant supply of the trained work force. The JRC business model is welcomed by the locals as it facilitates weavers to pos-

36 Rondinelli, A. D.; Berry, A. M. Corporate Environmental Management and Public Policy: Bridging the Gap. *The American Behavioral Scientist*. 2000, 44(2): 168–187.

sess their own looms. They support weavers to obtain subsidies from the government that help them in getting finances up to 50 to 75 percent of the cost of the looms (Jaipur Rugs overview presentation made by the company H.R. at company head office in Jaipur on August 9, 2010 followed by consecutive interviews till April 2011). This has up to certain extent has eradicated and or minimized middlemen and freed the artisans from under payment, mistreatment etc. The company in turn is benefited by personal contact with concerned weaver for quality control. Loan facility to the contractors with work know-how and fair track records with the company along with the opportunity for being connected in the overall production process is another advantage to weavers provided by JRC business model this in turn not only add to the incomes and capabilities but also social standing of the contractors (The author has documented the business model on the basis of Personal Visit to Jaipur Rugs and interview with Shri N.K.Chaudhary, interaction with the staff, site viewing and personal interview of Dr. S. S.Yadav, H.R Manager Jaipur Rugs Pvt. Ltd.). For its performance the firm has received many honors like certificate of “Business world-FICCI-SEDF Corporate Social Responsibility -2009”, for following the best corporate social responsibility practices. The Sankalp 2010 Award as an Established Enterprise for providing sustainable rural livelihoods through weaving the handmade carpets. The Indian Achievers Award for Business Excellence for best practices related to Corporate Social Responsibilities.

Resuming the strategies of the company³⁷:

- The Jaipur Rugs besides U.S. market also focuses on other potential markets like: South Africa, Turkey, United Arab Emirates, United Kingdom, Japan, Italy and Germany.
- Jaipur Rugs organizational structure is such aligned that a high level of decentralization at investment and production activities exists. Bhoomika is able to convert almost all of its costs into variable costs and dramatically decrease its fixed costs.
- Efficient supply chain is another asset to the company. Jaipur Rugs weavers are not responsible for picking up the raw materials and delivering back the woven rugs to the branch office saving the weavers significant time and money in transportation.
- Jaipur Rugs area commanders carry a standardized booklet to record the status of each rug every time they visit a loom. The information is updated and through ERP the end customer is able to know the current status of his order.
- Company pays people competitively giving them options for a better quality of life than the alternative work available in villages.
- Jaipur Rugs Foundation recruits and trains new weavers for the company. This not only motivates them to work for the company but also has impact on the workers social life.

37 Tyagi, R. K., *supra* note 31.

- The Jaipur Rugs Foundation leverages agreement with other NGOs that provide health care and education to the weavers.
- Company also provide loans to the contractors with fair track records and work experience with the company giving them opportunity for being link in the overall production process this in turn not only add to the incomes and capabilities but also social standing of the contractors.
- Jaipur Rugs is changing the traditional model of middleman- owned looms to enable weavers to own their own looms. They support weavers to obtain subsidies from the government that help finance 50 to 75 percent of the cost of the looms.

Conclusions. In review, the large scale industries damage to the environment is conspicuous but the medium sized as well as small scales productive ventures are creating human problems no less inimical to the societal survival than the large scale ventures. The company is using labor-intensive production processes, boosting employment and supporting economic growth through export. Its Business Model leads the firm to operate in a highly decentralized manufacturing and logistics system. The model can be replicated by another firm to make CSR as integral part to business practices rather than lip service further this model is different from the cooperative but if replicated in other industries it can bring or add to self employment also.

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DARNAUS VYSTYMOŠI UŽTIKRINIMAS DIRBANT PIRAMIDĖS PAPĖDĖJE: INDIJOS KILIMŲ GAMYBOS KOMPANIJOS ATVEJO ANALIZĖ

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Santrauka. *Kaimo vietovės ypatingai jautrios pokyčiams, kuriuos sukėlė tokie šiuolaikiniai ekonominiai bei socialiniai reiškiniai kaip globalizacija. Susirūpinta dėl socialinės ir ekologinės didelių tarptautinių kompanijų veiklos pasekmių. Aplinkybės iš kaimo vietovių reikalauja restruktūrizacijos ir didesnio persitvarkymo nei iš likusios visuomenės. O tai kelia grėsmę mažų bendruomenių, kurios yra vietovės pagrindas, socialiniam sutelktumui. Skirtingos visuomenės, išvelgusios pavojų ir susirūpinusios dėl socialinių ir ekologinių didžiųjų tarptautinių kompanijų veiklos padarinių, globalizacijai priešinasi skirtingai. Šiame straipsnyje analizuojamas Indijos atvejis, remiantis įmonių socialinės atsakomybės (ISO – CSR – corporate social responsibility) koncepcija. Mažos ir vidutinės įmonės taip pat ištraukia į globalias tiekimo grandines ir taip gali prisidėti prie savojo krašto darnaus vystymosi. Konceptualiai pristatomus ISO pagrindus autorė sieja su Indijos specifika, pateikdama kilimų gamybos kompanijos pavyzdį.*

Reikšminiai žodžiai: *globali tiekimo grandinė, gyvenimo standartai, kilimų (audėjų) įmonių socialinė atsakomybė, trejopa žemutinė riba, darbuotojų nuostatos dėl ISO, suinteresuotieji, įmonės (korporatyvinė) reputacija, verslas ir visuomenė.*

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