
Corporate Social Responsibility at Fab India

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Corporate Social Responsibility (CSR) can be defined as the "economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time". The concept of corporate social responsibility means that organizations have moral, ethical, and philanthropic responsibilities in addition to their responsibilities to earn a fair return for investors and comply with the law. Fab India works closely with artisans by providing various inputs including design, quality control, access to raw materials and production coordination. Fab India is trying to work with its artisans closely and is trying to maintain a supplier base. Today Fab India has a number of retail outlets selling several products and trying to pass the benefits to its artisans. CSR can be viewed as the key to not only overcoming competition but to ensuring sustainable growth. This case study aims to explore the concept of CSR at Fab India Pvt. Ltd and how it has been turned to the strategic advantage of the same.

Key Words: Corporate Social Responsibility, community

CSR-Asia defined Corporate Social Responsibility as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Howard Schultz, the CEO of Starbucks once described corporate social responsibility as “trying to achieve a fragile balance of creating the necessity of profitability and the balance of having a social conscience”. Social responsibility is an organization’s obligation to engage in activities that protect and contribute to the welfare of society. Social responsibility is a matter of intense debate. At one extreme, there are those who strongly believe that organizations are in business solely to produce goods and services that societies want –be they atomic weapons, legal advice, or life saving drugs – and that they are entitled to make profits in return. For these people, social responsibility is, simply not an issue .At the other extreme, there are those who believe that organizations should be allowed to do business only if they do not harm, help solve social problems, and put some of the profits they earn back to work for society. CSR is becoming a complete business strategy that aims to ensure the long-term viability of the business, by assuming an active role in the development of the community, the economy, and the environment through good business practices. The key drivers of corporate responsibility in Indian companies tend to revolve around ethical considerations and aim to strengthen the brand, as opposed to economic considerations, which drive corporate responsibility investments globally.

CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) may be defined as the "economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time". The concept of corporate social responsibility means that organizations have moral, ethical, and philanthropic responsibilities in addition to their responsibilities to earn a fair return for investors and comply with the law. A traditional view of the corporation suggests that its primary, if not sole, responsibility is to its owners, or stockholders. Corporate Social Responsibility is the responsibility of the business towards the society that it takes from. It is the management of the business in a manner such that it produces a positive impact on society. However, CSR requires organizations to adopt a broader view of its responsibilities that includes not only stockholders, but many other constituencies as well, including employees, suppliers, customers, the local

community, state, and federal governments, environmental groups, and other special interest groups’.

Today, in this competitive business environment, it is viewed as the key to not only overcoming competition but to ensuring sustainable growth. CSR initiatives by organizations have become tools to pass the message of sustainable consumption among consumers, employees and society at large. It is gradually becoming a complete business strategy that aims to ensure the long-term viability of the business, by assuming an active role in the development of the community, the economy, and the environment through good business practices.

COMPANY PROFILE

Fab India was established by John Bissel in 1960 in order to amalgamate the best aspects of East/West collaboration. He was determined to showcase Indian handloom textiles while providing equitable employment to traditional artisans and also to develop India’s export potential in its emerging textile industry. Over the years the focus of Fab India's marketing shifted from exports to the local Indian retail market. What started as an export house has today become a successful retail business presenting Indian textiles in a variety of natural fibers, and home products.

CASE BODY

Fab India was founded with the strong belief that there was a need for a vehicle for marketing the vast and diverse craft traditions of India and thereby help fulfill the need to provide and sustain rural employment. They blended indigenous craft techniques with contemporary designs to bring aesthetic and affordable products to today’s consumers.

Their endeavor was to provide customers with hand crafted products which help support and encourage good craftsmanship.

Their products were sourced from villages all over India. Fab India works closely with artisans by providing various inputs including design, quality control, access to raw materials and production coordination. The vision continues to be to maximize the hand made element in their products, whether it is hand woven textiles, hand block printing, hand embroidery or handcrafting home products.

Fab India's managing director William Bissel, who conceived and steered the model, says that unlike many Indian companies he doesn't believe in setting up a department to promote corporate social responsibility(CSR) .He created an air of hope ,anticipation and excitement in the sleepy village of Chanderi in the Ashok Nagar district of Madhya Pradesh .The local people include about 1000 –odd weavers who were disappointed not just by no rain or no water but by disappearance of the demand of their cherished fabric –Chanderi.

They were then introduced to the concept of becoming owners of shares in a community owned company .They were unsure but bought shares because they thought that it could change their lives in some ways.

That way has been paved by Fab India, a retail outfit that has grown from one store in mid 1990's to 85. Dabbling in fabric, apparel, handicrafts and other products, it began an experiment with community –owned companies nine years ago in an attempt to include artisan in the wealth creation process. Fab India had created a fully owned subsidiary Artisans Micro Finance, a venture fund .It was owned 49 percent by the fund, 26 percent by the artisans, 15 percent by private investors and 10 percent by the employees of the community –owned company .The investment by these four categories of investors provides the paid up capital .The company promotes the sales of its artisan community to Fab India, which is the principal buyer.

Walk into any of Fab India's high end retail outlets in major cities across India, and around the world - the unique clothing and furnishing collections seem to be tempting, surprised by the store's relentless focus on the customer and anybody would probably walk out with a big bag in hands. However, one would never guess that the profits made from that store and many others across the country are partly distributed among the weavers, about 20,000 of who are 'shareholders' of subsidiary companies floated by Fab India.

The artisans gain in many ways .The value of their shares goes up .They earn dividends when the company is in a position to declare them. Eventually the company will try and offer loans to the artisans, arranged through banks. The loans can be used to buy new looms or expand production of other products. Although the villagers see it as a gamble they are convinced that it would work.

William Bissel is convinced that involving artisans and sharing benefits of growth with them is the most sustainable of all models. The shares offer the artisans a divisible asset class and community owned companies help convert FabIndia's artisan base into an asset.

But the model is not desirable from a social point of view alone. Fab India has moved from being a primarily export house in the 1960's to a turnover of Rs 300 crore, of which 90 percent is domestic sales. Its aim is to be a "lifestyle alternative to mass produced "

Artisans Microfinance Director Smita Mankad Quit ABN Amro to do something she believed was worthwhile. 'If you want grow at the pace we have grown, you have to carry your supplier base with you,' she says, emphasizing that Fab India's growth will be hampered unless the artisans grew with it.

If FabIndia is changing the way the artisans work, the new model is changing the way FabIndia works .The typical central warehouses owned by community –owned companies from which goods travel directly to stores across India, This reduces logistics costs and minimizes the role of Middlemen.

While the system seems to be working for all concerned, challenges remain .One of them is developing secondary markets so that the companies can stand on their own feet. Critical to that will be introducing a consciousness of the design element in the artisans so that their products have a wider appeal. Bissel says the model will depend on the artisans beginning to understand the benefits of joining together in something that's not cooperative". A cooperative imposes many restrictions upon them and doesn't give them much in return, if you get together, you must create something that's bigger than the sum of its parts. Fab India's entry made the biggest difference as it began to source fabric worth Rs 1 crore a year from Chanderi.

Fab India sources its products from over 15000 craft persons and artisans across India. They support the craft traditions of India by providing a market and thereby encourage and sustain rural employment. Today they have retail outlets in all major cities of India - 85 at last count - in addition to international stores in Rome, Italy; Dubai, UAE and Guangzhou, China.

Today FabIndia has expanded beyond textiles into furniture, stationery, pottery, organic foods and body care products. All merchandise is sold under the single FabIndia brand and the company owns all its stores as Bissell feels this helps the brand to maintain its identity.

FabIndia works closely with artisans and villagers to develop designs and color palettes and to optimize production techniques and raw material inputs. For the textiles, mostly natural fabrics and vegetable dyes are used.

"We attract a specific type of customer and decided we want to give that customer the spectrum of products," Bissell says of the product diversification strategy, adding that Fab India's customers do not fit an age or demographic profile, but are a loyal base of people who want to support craft.

But Bissell is also candid in admitting that some of the diversifications have had unexpected problems. For example, Fab India's range of organic foods, which it launched in 2004, has a limited audience and as it is perishable has a shorter shelf life than other FabIndia products.

FabIndia recently forayed overseas and has had some early success. For example, its store in the Gulf has been quick to take off. But this has only reinforced Bissell's conviction that it is the Indian Diaspora that makes FabIndia a profitable business. Penetrating overseas markets is a "focus but not a large focus", says Bissell, who sees customers in India as the mainstay. The business derives 90% of its revenues domestically. "Our global expansion will be targeted at places where there are a large number of Indians," clarifies Bissell.

Bissell is clear that it is the firm's decision to stay focused over the decades of its existence that is responsible for its success. "We have consistently operated in the niche we identified initially," sums up Bissell, explaining the firm's philosophy. "We are like a restaurant which serves only one kind of cuisine." And with takers abounding for that one type of cuisine, it is clear Bissell is on to a good thing.

Questions:

1. What is the relationship between Fab India, the parent company and the subsidiaries - If the subsidiaries have a claim on Fab India's profits or just act as a supplier unit?
2. What do you think of the model that Bissel has proposed?
3. Would Fab India really is able to transfer the benefits to its artisans as they have proposed?
4. Fab India's community-owned companies are converting artisans into assets while sharing the benefits of growth with them .Explain?
5. Would Diversification in some other areas helps Fab India to provide better to its shareholders- the artisan community?

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