

**Industree Craft:**  
**A Case Study in Social Enterprise Development**  
**Using the Four Lenses Approach**

A Supplement to the Four Lenses Strategic Framework

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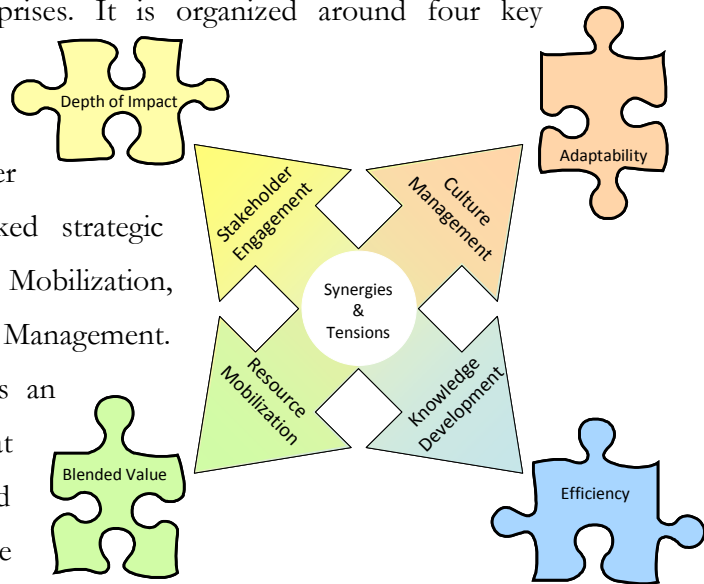
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# 1 Methodology

This case represents the first installment of a case study series developed to test and enhance the “Four Lenses Strategic Framework” as a tool for analyzing organizational behavior and performance in aspiring and established social enterprises. It is organized around four key performance criteria: Depth of Impact, Blended Value, Efficiency, and Adaptability. These criteria are further examined through four intrinsically linked strategic lenses: Stakeholder Engagement, Resource Mobilization, Knowledge Development, and Culture Management.



The Four Lenses Strategic Framework is an integrated approach to social enterprise that postulates that high performance is linked to an organization’s activities across the Four Lenses. Building on this premise, the Industree Craft case study describes activities across strategic focus areas and illuminates the synergies and tensions that arise when taking an entrepreneurial approach to addressing a social problem like rural poverty in India. The case study highlights the organization’s many notable strengths, while also illustrating potential implications of Industree’s hybrid structure and its impending scale-up process, the challenges that lie ahead, and the lessons this case holds for similarly structured organizations.

Performance Criteria	Primary lens through which performance is delivered...	Secondary lenses further enhancing or hindering performance...
Depth of Impact	How successful are we at engaging all <b>stakeholders</b> deeply and durably?	How do our <b>culture</b> , <b>resources</b> and <b>knowledge</b> support (or hinder) a deeper stakeholder engagement?
Blended Value	How successful are we at mobilizing <b>resources</b> in an integrated, viable and renewable manner?	How do our <b>knowledge</b> , <b>stakeholders</b> and <b>culture</b> support (or hinder) viable resource mobilization?
Efficiency	How successful are we at developing <b>knowledge</b> that leads to more appropriate processes?	How do our <b>resources</b> , <b>culture</b> and <b>stakeholders</b> support (or hinder) the development of appropriate processes?
Adaptability	How successful are we at creating a <b>culture</b> that supports initiative and reduces resistance to change?	How do our <b>stakeholders</b> , <b>knowledge</b> and <b>resources</b> support (or hinder) a culture of change and initiative?

This case was developed through an extensive documentation review, electronic correspondence, and a series of in-person interviews with Industree's Founders, Neelam Chhiber and Gita Ram, top management (including Industree's CEO, R. Singh Rekhi), other Industree employees, stakeholders, and rural artisan groups. Information for the case was also gathered by way of Neelam Chhiber's participation in Social-Impact International, a professional development and support accelerator for social entrepreneurs in India. With the support of Social-Impact's one-year program, Chhiber fine-tuned Industree's incorporation of social enterprise methodology and launched the scale-up plan described in this case study.

## 2 Acknowledgements

The authors would like to thank Industree Craft founders, Neelam Chhiber and Gita Ram, and all the Industree staff for their generous accommodation throughout the research process for this case. Much gratitude is owed to Social-Impact for first sponsoring the work of Industree and other social entrepreneurs in India, and second, for their financial contribution to documenting this case. Finally, many thanks go to the Skoll Foundation for supporting the development of the Four Lenses Strategic Framework, this and other cases, and the tools and resources that accompany the Framework. The field of social enterprise will continue to strengthen and evolve as a result of the Skoll Foundation's commitment to capacity-building initiatives like the Four Lenses.

## 3 Introduction

There are some 40 million rural artisans in India today. While global demand for Indian artisan products is growing both in India and abroad, rural artisans largely remain poor. Prior to the industrial revolution, high quality artisan products were historically crafted in rural areas for domestic and international consumption. Following the economic reforms of the 1990s, the government's heightened support for manufacturing centers in urban hubs has increasingly isolated rural producers and decreased their access to functioning markets. As a result, much of India's rural population has migrated to cities in search of work, sadly trading rural unemployment for urban displacement and poverty.<sup>1</sup>

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<sup>1</sup> Statisticians estimate that by 2050 half the population of India will be living in cities.

At the same time, India has seen substantial shifts in its domestic marketplace, with trends projected to continue. The country has emerged as a global economic force, with its growing middle class becoming an increasingly upwardly mobile population. Economists estimate that 320 million additional people will join the consuming class by 2010, and organized retail, reaching \$25 billion in 2007-08, is estimated to quadruple by 2010. A new generation of socially responsible consumers is emerging in India's urban centers, one that is rooted in ethnicity yet aspires to modernity. One Indian organization is addressing this gap between rural unemployment, traditional artisan craft, and India's growing consumer market.

Industree Craft is a hybrid social enterprise—literally comprised of for-profit and nonprofit entities—based in Bangalore, India. Industree's mission is “to enhance and create artisanal owned rural livelihoods through marketing of contemporary designed artisanal produce for urban markets,”<sup>2</sup> Industree sources products and materials from small-scale artisan groups across Southern India and sells their products, primarily home textiles, gifts, and natural fiber furniture, to domestic and international markets. It currently operates three Industree-branded retail shops, sells via shop-in-shops in leading domestic retail stores, and exports products for international retailers such as IKEA. Industree's annual revenue reached \$1 million USD in 2007.

Industree boasts a unique organizational structure, which marries a for-profit commercial retail company that excels in marketing and design with a traditional non-governmental organization (NGO) that provides skills training and capacity building to rural artisans. Founders Neelam Chhiber and Gita Ram have, over the years, struck a synergistic balance between the non-profit and commercial arms of their organization, leveraging capacities on both sides to achieve maximum impact by the organization as a whole.

Central to this case is the recent capital investment in Industree of \$1.5 million USD by Future Ventures, an investment arm of the Indian retailing giant Future Group, which owns national retail brands in apparel, food, home, consumer goods, and electronics. This cash investment will support Industree's ambitious scale-up plan, targeting a 40-store expansion, development of a new multi-brand retail company, and an increase in domestic trading revenues from \$1 million USD to \$38 million USD over the next five years. Mr. R. Singh Rekhi, the recently hired Industree CEO with

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<sup>2</sup> Industree Crafts Annual Report, 2007-08.

experience in both retail and community development sectors, has been charged with leading the scale up effort.

Its hybrid structure and demonstrated commitment to scaling make Industree Craft an exciting case study in social enterprise methodology. How will Industree’s social enterprise model withstand new investor pressures to grow quickly and increase profitability? Will larger scale necessarily result in greater social impact? How will scale-up related challenges in organizational culture and operations affect the core competencies that Industree has established to date? Employing the Four Lenses Strategic Framework, we hope to gain an in-depth understanding of Industree’s model and to shed light on some of these unknowns.

## 4 Company Overview

### *4.1 History*

Product designers Neelam Chhiber, Poonam Bir Kasturi, and social investor Gita Ram first worked together in the early 1990s on a string of government-sponsored projects to enhance artisanal skills in rural India. The siloed nature of government programs frustrated them for two reasons. First, although the government supported skill building and manufacturing efforts in rural areas, it failed to generate market demand for the products that were being made. Chhiber says, “Without a free market model there will be over supply.” The result was that Chhiber and the artisans she worked with had no access to consumer input to improve their design process, and artisans’ products stagnated on a government shelf rather than being sold to consumer markets. Second, and more importantly, rural artisans remained poor; they were being taught new craft skills, but without market demand for their products, artisanal incomes remained well below the poverty rate.

Chhiber, Kasturi, and Ram agreed that the best way to improve the lives of struggling artisans in rural India was to start a for-profit trading company that could generate market demand for artisanal products and give rural artisans access to urban markets. Chhiber describes their approach as “using market mechanisms to create a contemporary face to Indian craft.” Industree Crafts was incorporated in 1994 with financial backing by Ram, who remains one of Industree’s most valued advisors and trustees and an influential member of the Craft Council of India. The first Industree store was opened in a residential part of Bangalore in 1996, and the company began exporting products to the US and Europe in 1998. In 1999, Kasturi sold her shares in the company.

Chhiber recalls a significant turning point when she realized that Industree couldn't be a successful social enterprise functioning only as a for-profit. The additional costs of reaching, engaging, and training rural artisans were too substantial to support a strictly for-profit model. Government funding was available to build rural capacity, but not granted to for-profit companies. And so, Industree Crafts Foundation (ICF) was established in 2000. The Foundation supports artisan skill development in rural areas and provides craft training, small enterprise skills development, and technical assistance to rural artisan producer groups. The Foundation achieves financial sustainability by way of a consultancy model and earned nearly \$35,000 in 2007 through consulting contracts from the Indian government.

## 4.2 Business Model

Industree employs a Market Intermediary Model<sup>3</sup> to increase rural income by generating market demand for goods produced by rural artisans. Its nonprofit arm helps individual artisans collectivize into self-governed producer groups called Self-Help Groups (SHGs). SHGs receive capacity-building support, technical assistance, and entrepreneurial skills training (including training on how to run a group, group dynamics, cash management and loan repayment). Once formed, each SHG functions as a mini-enterprise—producing and trading goods with Industree and other vendors. Each group elects leaders to serve

### Benefits of the Self-Help Group Model

- *Scaleable:* As Industree grows, it expands its network of SHGs to meet capacity needs.
- *Empowers artisans:* Artisans' involvement and ownership of the model builds integrity and self-determination within the group.
- *Earning potential:* SHG members can earn more as a group than individually through order size and security.
- *Peer Support:* SHG members provide peer-to-peer training, emotional support, and financial support in the form of peer-to-peer micro loans.
- *Accountability:* Group members hold one another responsible for order completion and quality.
- *Greater quality control:* Group leaders check all completed orders for quality.

<sup>3</sup> Alter, Sutia Kim. *Social Enterprise Typology*, Virtue Ventures, LLC.

as term-based officers. These members are responsible for managing the group's bank account (to which all Industree payments for products are made) and distributing payments to group members on a monthly basis.

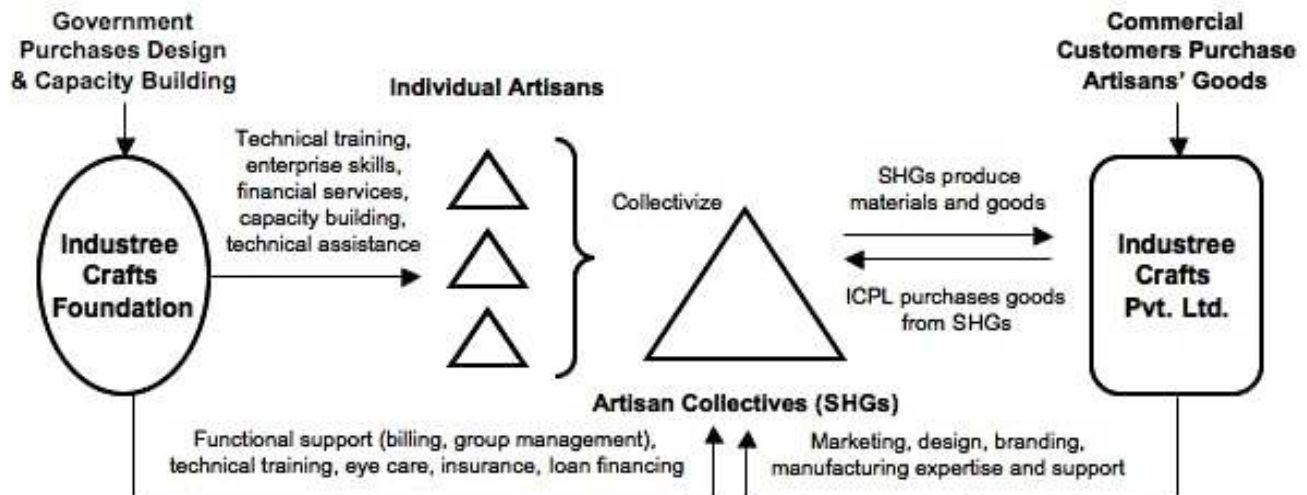


Figure 1: Stakeholder interaction across Industree's business model

Industree's for-profit arm specializes in design, marketing, and manufacturing and generates market demand for artisans' products. It provides design input and marketing value additions in line with consumer trends, and purchases artisan products from its own SHGs, as well as SHGs established by other NGOs. Industree retail stores provide a dedicated retail outlet for artisanal goods to reach consumer markets. Figure 1 below illustrates the complex stakeholder interactions across Industree's business model.

The two Industree entities interface closely and are even housed in the same building. Staff members working in the Bangalore production facilities are intricately aware of Foundation activities and support services offered to rural artisan groups, while Foundation employees are keenly in tune with the for-profit company's production requirements. The two entities have historically shared resources, with the Foundation supporting for-profit activities by providing capacity building and skills training for producers. At the same time, the for-profit company supports the Foundation's mission: through the sale of their products, artisans benefit from production, design, and marketing expertise.

Today, Industree products are sold in three dedicated retail stores (in Bangalore, Delhi, and Kolkata), through shop-in-shop displays in leading Indian retailers across the country, and through



exports to European and US markets. The company has become a leader in the niche market for natural fiber goods, specializing in woven river grass and banana fiber materials in the gift, home décor, and furniture segments. A sampling of Industree products can be found in Appendix 8.1. Together, the two entities that comprise Industree now employ nearly 200 people and source products from a network of over 100 producer groups. Industree now engages more than 3,000 individual weavers and artisans in its business model, and has filled major orders for leading global retailers such as IKEA and Crate & Barrel. Total annual revenue in 2007 reached Rs 43 million (about \$1 million USD).

### ***4.3 The Decision to Scale***

After 12 challenging years of operating a for-profit with the goal of reducing poverty among rural artisans, Ram and Chhiber took stock in 2007. They commissioned a social audit report on the company's activities, and found that Industree had in some places successfully increased rural incomes by almost threefold. For every Rs 100 in sales, Rs 56 were returned directly to the producer community. Yet the problem persisted: most rural artisan still earned a meager \$1 per day. Ram and Chhiber realized several gaps in their model: There was no formal mechanism to support artisans investing their own savings in equity and working capital to create an artisan-owned enterprise; working with government programs was slow and often not aligned with realities in the field; artisans were unable to scale up production in order to achieve economic security and asset accumulation. The result was that artisans were unable to challenge existing power relationships in the market, move up the value chain, or lift themselves out of poverty. The crucial learning to date highlighted the advantages of group production to increase rural incomes, where traditional practices established craft as largely an individual occupation. Artisans engaged in Industree's model were ready for the advantages of economies of scale achieved through the group production model.

Despite their best efforts, Ram and Chhiber recognized that Industree needed a new tack, and decided that scaling the domestic market was the best option for addressing their social problem—Industree needed a bigger brand and an expanded product line to create sufficient market pull to bring rural producers up the value chain in a sustainable way. Additionally, Chhiber was convinced that there had to be a viable mechanism for building artisanal equity into the venture—artisans should both buy into the process by investing their own capital *and* reap the benefits of holding an equity stake in Industree's model.

The timing was ideal; India's Ministry of Commerce and Industry reported per capita income nearly doubling in just four years, from around US\$ 450 in 2002-2003 to just under US\$ 800 in 2006-07.<sup>4</sup> Economic growth rates had held steady at 8-9% for over four years, and a new customer segment concerned with sustainable and ethical consumption was emerging across the top rung of Indian consumers.

Chhiber credits Social-Impact as a "chief instrument in building the scale up strategy." For Chhiber, the validation she received from Social-Impact staff and peers in the program helped shift her way of thinking. Honing her own understanding of social entrepreneurship and learning of the movement's global reach helped Chhiber build her convictions and her confidence. Thanks to the yearlong cohort and the tireless support of Gita Ram, Chhiber began thinking about ways to scale the organization and developed a viable business plan for the scale-up process. Chhiber also received a scholarship to attend Santa Clara University's Global Social Benefit Incubator program, which further reinforced her commitment to scaling. Bolstered by Social-Impact's technical and financial support, and armed with the outcomes from the social audit report and a new Industree business plan, Chhiber and Ram set out to find investment capital.

The Industree team knew that it faced a daunting task; seemingly every leading business group in India was considering entrance into the retail sector. Successful market entry would require fortification, retail savvy, and all around understanding of the competitive environment. After running into repeated legal barriers blocking foreign social investment by financiers such as

*"It's great to be able to say that you're a social entrepreneur. Otherwise, you're just someone doing something weird."*

-- Industree Founder Neelam Chhiber on being a

Aavishkaar and Bamboo Finance, Chhiber and Ram found Industree's primary investor in Mr Kishore Biyani, founder of India's retail giant, Future Group. Industree had been operating shop in shop outlets at Future Group stores and Biyani was familiar with Industree, its approach, and its unique selling point. Chhiber and Ram saw the advantage of working with a successful multi-brand retailer, supporting the growth of other social brands and building synergies between them. While an unlikely fit at first glance, Biyani and Future Group recognized the potential for a multi-brand retail chain positioned to reach the growing "green" consumer segment and invested \$1.5 million USD for

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<sup>4</sup> <http://www.indiatradercenter.in/itc/>

a 43% equity stake in Industree’s for-profit company. Industree’s new CEO, Mr. R. Singh Rekhi, was recruited via Future Group for his extensive experience in retail as well as his commitment to issues of rural unemployment.

To further support the scale-up process, an additional \$500,000 USD in debt financing was provided by Oikos Credit (a firm specializing in equity and debt financing for social enterprises), in addition to the \$100,000 USD in debt financing, already provided by Gita Ram. Financial statements for both Industree entities can be found in Appendix 0.

The proposed scale-up plan begins with the launch of a new “Mother Earth” retail store in the coming months (Figure 2). This, the first of 40 stores slated over the next five years, will build on a “green” brand image, carrying primarily organic and natural products ranging from textiles and home décor to apparel, food, and gifts. The store will be positioned slightly below major competitors in similar markets (including FabIndia and Anokhi, which specialize in



Figure 2: Rendering of proposed Mother Earth store

apparel) and hopes to maintain equivalent levels of quality at a lower price by targeting a slightly lower net profit margin—currently set for 2%. Unlike FabIndia, which uses regional sourcing centers (RSCs) to source store products (sacrificing a portion of profit margin), Industree sources directly from producers whenever possible, giving as much of the margin to rural artisans while maintaining company margin requirements.

## 5 Four Lenses Analysis

We can use the Four Lenses Strategic Framework to analyze Industree's model in greater detail and determine strengths and weaknesses in the organization's implementation of social enterprise methodology by focusing on four key performance criteria: Depth of Impact, Blended Value, Efficiency, and Adaptability, as seen through each of the Four Lenses: Stakeholder Engagement, Resource Mobilization, Knowledge Development, and Culture Management.

- ***Depth of Impact:*** How effective is Industree at addressing the underlying causes of rural poverty? In particular, how successful is it at engaging all stakeholders in a coherent and lasting way? Additionally, how does Industree manage its culture, mobilize its resources, and develop its knowledge to achieve deeper impact?
- ***Blended Value:*** How effective is Industree at making economic wealth creation and social value creation truly interdependent, so that eventually one cannot exist without the other? In particular, how successful is it at mobilizing resources in an integrated, viable and renewable manner? Additionally, how does Industree develop its knowledge, engage its stakeholders, and manage its culture to create blended economic and social value?
- ***Efficiency:*** How effective is Industree at systematically striving to do more with less? In particular, how successful is it at gathering and processing information and developing the knowledge it needs to make informed decisions to increase efficiency? Additionally, how does Industree mobilize its resources, manage its culture, and engage its stakeholders to achieve greater efficiency?
- ***Adaptability:*** How effective is Industree at adapting to changing conditions? In particular, how successful is it at creating a culture that supports initiative and reduces resistance to change? Additionally, how does Industree engage its stakeholders, develop its knowledge, and mobilize its resources to achieve greater adaptability?

## 5.1 *Depth of Impact*

The first criterion of the Four Lenses Strategic Framework for achieving sustainable social impact is *the ability to address the root causes of a social problem, rather than palliating the symptoms of the problem with short-term "quick fixes."*

As a social enterprise, Industree seeks to achieve deeper impact by leveraging commercial markets' ability to provide for a vast array of individual wants and needs. At the same time, it seeks to address, from within, the market's inclination to address opportunity based on short-term profit potential while ignoring long-term social impact.

To assess depth of impact, an organization must first have a clear understanding of the social problem at hand. Chhiber and Ram identified early on that rural poverty persisted due to a lack of market engagement, keeping rural artisans at the bottom of the value chain with no hope of increasing their wealth. This resulted in unrelenting poverty in rural areas, large-scale urban migration by youth, loss of artisan heritage, and overcrowding of urban areas, leading to scant opportunity and higher rates of poverty due to further depression of wages. Upon further analysis, Industree founders learned that rural artisans were caught in a "Malthusian Trap"<sup>5</sup>—despite their efforts, artisans were not connected to actual market needs and were consequently overly reliant on exploitive middle-men and disconnected from new production techniques and product design.

Rather than focusing on peripheral consequences of the identified social problem, Chhiber and Ram have focused throughout on what they deem as the root cause of rural poverty: a lack of access to commercial markets. Accordingly, Chhiber makes a point of defining and measuring Industree's organizational "success" in terms of artisanal income levels and the number of artisans engaging in commercial markets as a result of Industree's support. The organization has set clear targets to increase artisanal incomes threefold and engage at least 15,000 new artisan producers over the next five years.

It became clear that to achieve these targets, Industree would need to grow significantly. It could do so by leveraging the power of commercial markets to create a "demand pull" for artisanal products

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<sup>5</sup> A Malthusian Trap (or Catastrophe) describes a return to subsistence-level conditions as a result of population growth outpacing agricultural production (also applied to economic growth). Based on the work of political economist Thomas Malthus (1766-1834), theories of Malthusian Catastrophe are very similar to the subsistence theory of wages.

on a scale commensurate with the social problem—the more products Industree could sell on the consumer market, the more artisans it could help lift out of poverty. As the Four Lenses Framework implies, this market-based approach addresses (from within) the market's historic tendency to ignore long-term social impact. In other words, Industree's model seeks to achieve social impact via a natural market mechanism, bridging the rural-urban divide by bringing rural artisans up the value chain to meet the needs of urban customers.

### 5.1.1 Engaging Stakeholders to Achieve Deeper Impact

As a social enterprise, Industree's core practice for achieving deep social impact is to engage a wide range of stakeholders in an integrated, coherent, and lasting way. Of its many stakeholder groups (including the Indian government, rural artisans, collective artisan groups, Industree staff, investors, commercial consumers, etc), Industree prioritizes its stakeholders as 1) rural artisans 2) urban customers and 3) employees. Each stakeholder group has its own motivation, goals, and requirements and Industree must effectively engage each throughout its model to achieve deep and lasting social impact.



Figure 3: The Industree weaving facility in Viravanallur

Rural artisans are engaged first and foremost in the form of product orders and payments. Chhiber contends that this is the most important aspect of working with rural artisans—“keep giving them orders, and they will keep working with you!” Training schemes, access to technology and capacity building resources, support in forming SHGs, and additional supports (such as free eye care clinics and access to life insurance), give

artisans the tools they need to successfully engage in Industree's processes. Other benefits to SHG membership, such as access to loans and group savings, further reinforce the individual artisan's commitment to Industree's model. In the future, Chhiber is keen to pursue her concept of artisan ownership of Industree's brand, and has begun discussions with governmental and non-governmental institutions to explore potential partnerships with the hope of distributing 14% ownership in Industree to grassroots artisans at Rs100 per share in the coming years

Industree most effectively engages its urban customers by meeting their consumer needs—providing the desired product mix at the desired price. Urban customers demand a wide range of high quality, modern products with traditional Indian craft attributes. In a sense, customers vote with their purchasing power, and it is up to Industree to listen carefully to consumer feedback (by way of sales figures) to continually engage the customer in a lasting way. Industree’s decision to enter the fast-moving consumer goods segments (including food and apparel) serves to further engage the customer through frequent and repeat purchases. Additionally, Industree enjoys a distinct competitive advantage over other Indian retailers in its ability to engage consumers through its brand image; sustainable, green, and fair trade ideals can further engage consumers who have a wide range of purchasing options. While urban customers ultimately play a critical role in achieving social impact (their purchases serve to increase the incomes of rural artisans), it is important to note that their participation is not primarily driven by the social cause. In fact, Industree has not, in the past, engaged urban customers using its social mission as a draw. “For Industree, the key has always been that the product should sell itself.”

Chhiber engages her staff by keeping Industree’s social mission at the forefront of the workplace and constantly reminds her team of the purpose behind their work. She says, “The best way to keep staff motivated and committed to the mission is to send them out in the field. Once they go out and work directly with producers, it doesn’t take them very long to get motivated; it’s just natural.” Just as with customers, however, Chhiber believes it is important to provide a compelling value proposition to Industree employees and partners to keep them engaged in the model. Mahima Mishra, Industree’s newly hired head of HR, ensures that Industree employees are well cared for. She asserts that salaries, especially for the manufacturing positions, are on par with private sector pay, and notes that Industree also provides significant benefits, including paid maternity leave, housing rent allowance, child care allowances, and reimbursements for phone, car, meal, training and development costs. She says, “This kind of care, attention, and environment you won’t find at many other small and medium sized manufacturing companies.”

Finally, Industree’s hybrid structure serves to strategically engage stakeholders to achieve deeper impact. Government engagement in Industree’s efforts to train rural artisans, for example, would not be available without Industree’s unique legal structure. Various stigmas around NGO craft projects, which are known to sell poor quality products at charity prices, are overcome given Industree’s for-profit face to the consumer. At the same time, rural artisans who may be leery of

engaging with a for-profit feel comfortable working with Industree, knowing that the artisans' interests are central to the organization's values and that the nonprofit is backed by government funding specifically for the support of rural artisans.

### **5.1.2 Managing Culture to Achieve Deeper Impact**

A secondary activity in achieving deep social impact, culture management plays a major role in Industree's success. Chhiber and Ram have successfully created an organizational culture that is focused first and foremost on social impact. All Industree employees, whether working in HR, product design, manufacturing, or accounts have the benefit of rural artisans at heart. As members of the merchandising team describe their roles and purpose, there is little distinction between Foundation activities and Company activities. Raju .R (Home Merchandising Manager) confirms, "It is everyone in the company who knows about village struggles."

Chhiber says that it is the integration of the social mission and market approach that keeps staff committed to their work and to the company as a whole. "If you keep exposing all the staff to both the commercial pressures and the realities of the rural areas, they will grow to understand what we are doing." She also recognizes the burden of the work and the toll it can take on Industree employees, saying, "Staff need to rise above themselves and get a birds-eye view on the bigger picture. Industree must keep the vision and mission in the fore."

She also notes that nearly all of the employees at Industree have some connection to life in rural India. Rathan Kumar, for example, grew up in a rural village outside of Bangalore. He earned a bachelor's degree in computer science and a master's in computer programming, worked with the National Institute for Design, and now works as Industree Craft Foundation's Project Administrator. Kumar's family still lives in the village, and he has a keen understanding of the challenges posed by rural employment.

Further, Industree enjoys a pervasive entrepreneurial culture across all functional areas; each employee "owns" his/her job. For example, Industree's Production Manager, Mervin Joseph, spoke not about production but rather about developing, designing, problem solving, and innovating when describing his role. He enthusiastically spoke about making unique products using river grass and banana fiber, and the challenges that go with producing something completely new, saying, "No one is making products like ours."



Industree has made strategic brand investments in line with its culture and values. The company is a member of the World Fair Trade Organization (previously known as IFAT) and is Fair Trade certified. As such, it gains international recognition for its support of equitable trade and fair treatment of producers.

Culture also plays a role in engaging customers, demonstrating the integrated nature of the Four Lenses approach. As mentioned previously, Industree has not in the past engaged urban customers with its social mission. “But now, with the scale up, it will be more important that we tell the artisans’ story to set us apart from all the other brands in the market—social impact is one of our competitive advantages!” Chhiber and her team agree, however, that to serve the cause of rural poverty, the message to urban customers must not be one of charity but rather one of empowerment, a depiction of the capabilities and ownership that are being cultivated in rural areas as a result of Industree’s trading activities and the individual consumer’s purchases.

Developing a strong organizational culture is difficult no matter what industry you are in. Industree works to create an environment in which commitment to the mission is pervasive, teamwork valued, and yet entrepreneurialism reigns. Chhiber has successfully created an organizational culture that maintains a fragile equilibrium between social mission and market realities. However, in the coming months, with the scale-up plan in place, Industree plans to increase its staff by nearly 50% as preparations to launch the new store come into full force. Formal leadership of the for-profit company has been handed over to Rekhi, with Chhiber stepping out of her historical leadership role. The challenge for Rekhi, Mishra (heading HR), Chhiber, and Ram will undoubtedly be to maintain the cultural focus on social impact as Industree moves into a high growth phase.

To prepare for scaling, Industree must first work to institutionalize its leaders, Neelam Chhiber and Gita Ram, who historically set the organizational “tone” and maintained a keen focus on the needs of rural producers. As the company grows, it is essential that their approach be embedded throughout the organization, permeating HR, top and middle management, and development divisions despite their absence in a formal leadership role. Without formalizing this approach, Industree’s culture may be too fragile to scale.

As new hires are brought on, Industree finds itself drawing more employees from the private sector for their experience in marketing, retail, and business and fewer from the social sector. This trend stands to positively impact Industree’s technical capabilities, and will undoubtedly influence the organization’s existing culture, moving away from the family-like culture steeped in volunteerism

that was initially established, toward a more business-minded professionalism as it moves ahead. Regardless of how Industree’s culture evolves, Industree recognizes the need to motivate employees both intrinsically and extrinsically—people must be accountable to numbers (sales as well as social impact), incentivized to track and reach sales targets, have clear areas of responsibility, and a sense of accomplishment in their role. Unless employees gain personal satisfaction in their positions, they cannot be expected to perform for the benefit of others.

### **From Pantaloons to ICPL: Industree’s New Hybrid Manager**

Mr. R. Singh Rekhi was recruited in 2008 as Industree’s new CEO, charged with the oversight and successful implementation of the scale-up plan and the opening of 40 Mother Earth stores across the country. Rekhi comes to Industree from Future Group, the largest retailer in India, where he has worked on and off since 1996. While he is well versed in commercial retail, he also feels a strong connection with the struggles of rural villagers.

Rekhi completed an MBA at the Institute of Rural Management (IRM). The degree included a two-month village stay, which further sensitized Rekhi to the realities of rural living. Following, he joined the National Dairy Development Board (NDDB), a groundbreaking organization founded by Dr. Verghese Kurien that revolutionized dairy milk collection, processing, distribution, and sales while providing equitable payment to small-scale dairy farmers at the bottom of the value chain.

He joined Pantaloons in 1996 and, while he enjoyed the work pace, the challenges of retail, and the efficiency with which the company worked, he couldn’t help notice that he was reaching only the upper echelons of the Indian population. In 1999, he took a sabbatical (and an 80% pay cut) to work for a project that monetized donated village labor as a corpus for infrastructure maintenance. Rekhi found the work interesting and impactful, but was frustrated by bureaucracy and a specific “NGO approach.” He continued working three days each month for Future Group, and says, “I could get more done in those

To aid in culture management as the company grows, Industree has enlisted Dr. G.K. Jayaram, founder and director of the Institute of Leadership & Institutional Development (ILID), to perform organization-wide staff training and cultural orientation around the concept of social enterprise to both formalize and reconcile the hybrid structure for new and existing employees. Chhiber and Ram chose Jayaram strategically; recognizing the indefatigably paternalistic nature of Indian society, she felt a senior male with a background in corporate business would be best positioned to influence Industree’s staff and culture.

### 5.1.3 Mobilizing Resources to Achieve Deeper Impact

Resource mobilization describes the development, leverage, and strategic allocation of financial, human, physical (such as fixed assets) or other resources. It relates to how an organization raises money, leverages assets, or cultivates strategic relationships, and is key to high performance in social enterprise. Social impact is highly affected by resource mobilization strategies, and social enterprises that fail to align the two will find they are unable to achieve the depth of impact they strive for. Industree's capital structure has traditionally been well aligned with its social mission primarily because of its simplicity. Until recently, Chhiber and Ram were the sole holders of Industree shares. Gita Ram has been the primary investor and financier of Industree's activities to date. Repeatedly, she has offered equity-financing, debt financing in the form of low interest loans, and sometimes donations to keep Industree moving towards its mission. Her investment motives are purely social in nature, and she remains committed to rural empowerment using craft and a for-profit market model to engage rural artisans.

Now, with the recent influx of Future Group's investment capital, Industree finds itself in a new position—accountable to retail investors who require financial returns over social impact. It is clear that such an influx of capital will have an impact on how Industree engages its stakeholders, and thus how it achieves its social mission. Whether that impact is positive or negative will depend on Future Group's motivation and Industree's ability to maintain a symbiotic relationship between its social and economic value creation. To address this issue, Industree invested in a social audit report, which served to inform the company's valuation prior to finalizing Future Group's investment. Future Group originally offered terms based solely on Industree's financial figures and projections without valuing the organization's social impact or its social brand value. Following the results of the social audit, Industree came back with a higher valuation, which was ultimately agreed upon by Future Group. This willingness to attach tangible monetary value to both Industree's social impact and market potential suggests that Future Group's values are in line with Industree's social mission and culture and bodes well for Industree's ability to achieve deep social impact moving forward.

Resource mobilization means more than just financial assets; non-monetary capital is equally important to Industree's scale-up. For example, Industree is sourcing products from over 30 craft-related NGOs across India to stock its new stores. Relationships with social networks, corporate and social partners, various communities, and other vendors will be crucial to a successful scale-up.

Industree’s resource mobilization strategy has the potential to shift and evolve in the coming years given its plans to scale. Chhiber has plans to increase the role played by rural artisans in resource mobilization, and recognizes the need to deepen the relationship that individual weavers have with collective artisan groups. “It is key that artisans contribute their own capital to the enterprise—they have to own it themselves!” Chhiber is currently exploring potential partnerships with microfinance institutions, as well as the possibility of opening an Industree-branded microfinance arm to further support enterprise development among rural artisans. Additionally, Chhiber is considering the possibility of raising investment capital to build a third, producer-owned company, which would serve to aggregate production at the village level. Depending on Industree’s success as a multi-brand retailer, there may also be interest by venture capital investors for follow-on investment opportunities. Regardless, Chhiber, Ram, and Rekhi will need to continue to align the organization’s resource mobilization with its social impact goals to avoid mission drift.

#### **5.1.4 Developing Knowledge to Achieve Deeper Impact**

Knowledge development refers to the combination of information (content, results from research, data) and processes (methodologies, systems, techniques, procedures) in a social enterprise model. Here, we consider knowledge development as it relates to stakeholder engagement and depth of impact.

Over time, Industree has built a body of knowledge around the importance of gradually engaging its rural artisans. Mr. S. Devarajan, Industree’s Field Coordinator, notes that rural weavers are initially wary of joining a cooperative producer group. Consequently, Industree employees have learned to initially work with individuals directly and reinforce the benefits of group engagement. When individuals first become involved, they request payment per piece or per day. Slowly, Devarajan transitions them to weekly payments, and then finally monthly payments along with the rest of the group. In his eight years as Field Coordinator in Viravanallur, Devarajan has learned how to gain the most impact for individual producers within Industree’s model.

Industree’s social audit report has added tremendous value to the organization’s ability to measure and track progress and set targets for engaging rural artisans. The audit measured, among other things, the actual increase in rural artisans’ income over time and the number of artisan producers engaged with Industree. The audit also projected the monetary value of the trainings provided to rural artisans by Industree, taking into account the future economic value economic value created as

a result of the training. Chhiber intends to renew the social audit annually in some form, and has taken steps to train staff members in both the for-profit and nonprofit offices to conduct a similar study of the organization's activities and outcomes each year. This feedback will serve to inform future strategies for Industree's social impact—is the organization achieving what it set out to? Are trading activities resulting in the kind, magnitude and intensity of stakeholder engagement that management expected? Or does the organization need to shift focus to ensure deeper social impact?

Industree also needs to build better intelligence around engaging its customers. While this has been a weak point for Industree in the past, Chhiber is aware of the problem and dedicated to tracking sales figures more closely throughout the scale-up process. She says, “We have to be more accountable to the numbers; that's the only way that this thing is going to reach its scale.”

Industree excels, however, when it comes to building knowledge about social impact through education and training programs. Clearly, Chhiber has taken significant steps to expand her own understanding of social entrepreneurship through her participation in Social-Impact and the Global Social Benefit Incubator. These courses have significantly shifted her approach to both stakeholder engagement and social impact and will undoubtedly aid in her efforts to increase rural livelihoods. Recognizing the importance of spreading the knowledge of social enterprise across Industree's upper management, Chhiber has already made arrangements to include Rekhi in the next Social-Impact cohort.

## ***5.2 Blended Value***

The second criterion for achieving sustainable social impact is the *ability to rely less on economic wealth generated externally and develop the means of internal blended value creation.*

As a social enterprise, Industree seeks to leverage the market's long-standing track record of wealth generation. At the same time, it seeks to address, from within, the market's failure to make economic wealth creation more dependent on social value creation, so that one cannot exist without the other.

Industree's model relies first and foremost on establishing a viable retail business. Even for a traditional for-profit company, however, a successful retail operation is difficult to achieve. Chhiber says, “This comes first—if the store is a failure, I don't have strong feet to stand on and talk about my social mission.” Chhiber, Ram, and the Industree team have experienced failure over the years—the venture made a net loss the first five years of existence. In retrospect, Industree hadn't given itself the means to succeed: the first Industree store was located off the high street, away from

shopping areas, and didn't draw purchasing traffic. For the then start-up social enterprise, such a decision seemed appropriate—save money on overhead costs and provide a greater margin to rural producers. Yet, Chhiber and her team quickly realized the impact of this decision. The store didn't draw purchasing traffic, sales were low, and it was eventually closed in 1999, when the company opened two new stores in higher traffic areas in Bangalore and Chennai. Learning from mistakes, Chhiber recognized that, while the rent in the popular shopping areas was monumentally higher than in other less desirable buildings, Industree's social mission was mute if it couldn't sell its products.

Industree has faced other challenges in its model related to blended value creation. Despite its unique niche, the alternative market for natural fibers was far too small to create the large-scale employment opportunities of mainstream market products. Furthermore, the majority of Industree's products were in the highly competitive and fickle gift market. Unlike clothing or food, gift markets did not lend themselves to regular repeat patronage. Maintaining fair wage structures in the face of market pressures from non-fair wage competition for global export sales placed additional stresses on Industree's viability. Additionally, Industree's model required that it hold stock to guarantee purchases for rural producers—whether Industree could sell the product or not, it had set the standard that all rural products were purchased up front. This created problems with cash flow and inventory control, and presented yet another reason for Chhiber to solicit working capital from rural producers (with the support of banks and MFIs) to alleviate some of the financial burden on Industree.

Chhiber's decision to scale was precipitated by many of these value creation-related challenges. Both Chhiber and Future Group's Biyani recognized Industree's potential to create greater value both for its customers and its rural producers by entering fast moving consumer goods segments such as food and apparel. This move would give Industree access to a wider customer base, repeat purchasing, and greater product turnover. The increase in steady orders for producers would build artisans' confidence in the model and encourage them to use savings as collateral against loans for working capital, finally bringing about the higher wages that Industree and the artisans themselves strive for.

### **5.2.1 Mobilizing Resources to Achieve Blended Value**

Industree's resource mobilization strategy serves as its core mechanism for creating blended value. How it leverages its financial and non-financial assets will ultimately impact its ability to create a whole greater than the sum of its parts.

Industree has recently invested significant resources in physical assets with the help of Future Group's \$1.5 million USD investment. The new Mother Earth store is a 10,000-square-foot, multi-level building near Bangalore's Outer Ring Road—simply paying the rental deposit and supplying this building with display fixtures poses significant capital expenditures, let alone stocking the shelves with brand-aligned goods before the store launches. Yet, Industree and Future Group are confident that these investments will further Industree's capacity for integrated value creation in the future.

Industree's hybrid structure also has a significant impact on its ability to mobilize resources for value creation. As mentioned earlier, most of the consultancy projects that go to support Industree's Foundation activities would not be available to the organization without its status as a nonprofit entity. Likewise, opportunities to raise investment capital would not be possible without Industree's for-profit arm to receive equity investment. Clearly, Industree's hybrid model serves to maximize resource mobilization potentials across the venture, leveraging the strengths of both the nonprofit and for-profit entities to achieve maximum value creation across the whole.

In the past, Industree did not devote financial resources to its marketing efforts, and has in fact never had a budget for advertising in its 12 years of existence. Instead, Industree has benefited from free write-ups in local and national newspapers and publications highlighting the company's social mission. In-store presentations showcasing artisan skills and processes were also seen as an effective marketing tool. In the future, Industree may need to adjust its marketing approach if it is to achieve sufficient sales volumes in the new store. It might need to focus more heavily on marketing efforts, for instance, that differentiate Industree products and the new Mother Earth brand name from other, large-scale competitors.

### **5.2.2 Developing Knowledge to Achieve Blended Value**

Competitive analysis and market research are essential to Industree's long-term viability. Industree's greatest competition to date has come from Indian companies importing natural fiber goods from Southeast Asia. IVY products, for example, are natural grass and banana fiber accessories imported

from Vietnam and sell in many of the same stores as Industree products, though at a higher price point. Other companies like Wood 'n' Wicker and Cane Boutique (not fair trade) also operate in the natural fiber niche market, and import their goods from Thailand, Vietnam, and other Southeast Asian countries. As a result of knowledge gained through a competitive analysis, Industree has shied away from such an import approach, recognizing it to be inappropriate both for in alignment with its social mission and its scale, as this approach is only cost-competitive at very high volumes.

Value-conscious product design and R&D are key elements to Industree's success and rely heavily on knowledge development. Industree designers typically consider a product from its price point backwards. The team works within the limits of the minimum payment to the producer for a product or material and the desired retail price point for the finished product. The value-add possible between these two points informs the design of the product. Design team members attend trade shows, craft fairs, and travel abroad, participating in export fairs to gather design inspiration and keep up with the latest trends in the natural fiber industry for global markets.

That said, Industree has very little institutional knowledge about product performance in the past. Knowledge tends to reside in individuals rather than in systems, making the loss of key staff members potentially disastrous for the organization. Likewise, Industree has not kept a record (with specifications, costs of materials used, sales history, or photos) of products designed over the years.

Moving forward, the company plans to roll out a comprehensive information management system with the launch of the new Mother Earth store to provide detailed tracking capabilities of product sales, inventory levels, profit margins, and order patterns. This knowledge base will vastly increase the company's ability to manage and allocate resources strategically across the board. Additionally, Industree hopes to add systems to track the design process, challenges, successes, customer satisfaction, and sales records to better inform the design team's strategy.

### **5.2.3 Engaging Stakeholders to Achieve Blended Value**

Industree's stakeholders play an essential role in achieving value creation. Industree's business model relies on creating and bringing to market contemporary products that not only use, but benefit from, artisanal production methods. Industree's market research suggests (and the exponential success of retailers like FabIndia attests) that modern Indian consumers actually prefer goods that reflect traditional Indian craftsmanship. *Kurtas* (traditionally-styled loose-fitting shirts worn by both men and women in India), for example, remain popular across customer age ranges and segments, with a



recent increase in traditionally dyed and printed fabrics. Consequently, Industree has a unique opportunity to leverage the traditional skills of its rural producers to achieve maximum value creation.

Rural producers typically add value directly to raw materials, applying traditional techniques to create mats, sheets, and panels of natural, woven fiber. In turn, Industree ensures rural producers achieve their full potential for value creation by offering training, technical assistance, and support. Whenever possible, final production activities (such as cutting, shaping, and gluing the woven material into final products and adding finishing materials) are done at the village level to maximize the value added by rural producers (and therefore their “piece” of the value “pie”).

Next come the consumers. Chhiber says, “The only way you can get the producer his/her due is by engaging the consumer. You can’t engage the consumer without giving them value for money and something new in terms of design and modified products.” Industree staff, including experienced product designers, add value by advising artisans on color, design, weave, and style of the products, while Industree’s merchandising team is charged with generating demand for Industree’s products through brand development, communications, and accessing appropriate channels to market.

Despite Industree’s push to increase full-scale production in rural areas, the company recognizes that some functions are just not practical to perform in the village, especially when quality issues are concerned. The production team recently piloted an effort to have the production of a banana fiber woven chair shifted to the village. Immediately, they noted significant quality issues, and the costs of transporting the metal frames to the village for weaving and then transporting the final product back to the city made the process cost-inefficient. There is clearly a balance between the company’s need to engage its social stakeholders and the realities of business—if you are spending more on transport or increased costs to achieve the social mission, you won’t have a viable enterprise in the end.

More tensions between stakeholder engagement and resource mobilization are likely to surface as Industree increases in size and scope. Given the tight time frame for opening the new Mother Earth store, for example, only about 20% of the store’s products will be sourced from individual artisans or producer groups. The rest of the products will come from NGOs, cooperatives and vendors, and while Industree buyers do their best to source ethically produced products, at some point, the store must have goods on the shelves. Industree is expanding its relationship with fair trade intermediaries, which means that Industree doesn’t have to pay to store the inventory as it does when it sources direct from the producers. “It’s one of the short-term concessions we’re making to

get the new store up and running,” says Chhiber. Yet she sees this as only a short-term setback in rural engagement and mission achievement, and one that will ultimately support a significant expansion in social impact for rural artisans.

#### **5.2.4 Managing Culture to Achieve Blended Value**

Culture can also play an important role in attracting and strengthening resources. Industree’s organizational culture enthusiastically supports learning and continued education among staff. When Chhiber and other staff members attend conferences or trainings, they bring back materials to the team, present, and share what they’ve learned. Chhiber highlights further education being completed by her staff members, as well. Raju, on the Merchandising team, recently completed an MBA, attending night classes after work. Martin, in Senior Accounts, is following Raju’s lead and completing the same program.

Chhiber also recognizes that Industree’s culture has helped attract a select pool of talented, young, idealistic staff members who are willing to forego positions at larger, more well known companies to be a part of Industree’s mission. She agrees that she has had access to greater human talent as a result of the organization’s mission and says, “You have to capture this idealism and channel it!”

Throughout interviews with Industree staff, the notion of “owning” a piece of the company surfaced again and again. Chhiber says, “Everyone must have a stake in building the organization’s capacity and infrastructure.” Mishra, the new HR director, is young, organized, and very efficient. She previously worked in HR for a large technology company. The position with Industree attracted her because she saw an opportunity to develop an entire department from scratch. She entertained offers from several multinational corporations, but was drawn to Industree for its social mission and the opportunity to take on more responsibility. She says, “In my old role, there were 24 people in HR. Here, I am the only one.”

Mishra recognizes and supports an entrepreneurial culture within the organization. She says, “You have to make [employees] feel that they are the owner—it is your company!” Not only do Industree employees think first and foremost about the organization’s social mission, they also continuously problem-solve ways to increase the value they add both to the company and to the lives of rural producers. In this sense, Industree truly is a learning organization.

Industree also supports an entrepreneurial spirit among its artisan stakeholders, and encourages producer groups to secure contracts with other companies whenever it results in greater value to the

producers. Devarajan, Industree’s Rural Project Coordinator based in Viravanallur, says, “If they can earn more money working for someone else, they should. And if we are not paying enough, we should ask, ‘why not?’” Devarajan also encourages competition among producer groups, and regularly communicates comparative information on production levels and monthly earnings to all group leaders.

As Industree grows and its culture evolves, there will likely be resultant impacts on its resource mobilization and value creation capabilities. To be a going concern, Industree will need to institutionalize a culture that is more concerned with financial value creation without sacrificing its focus on the social mission. Chhiber says, “You can’t expect everyone to be a volunteer if you’re trying to scale a social enterprise.”

### **5.3 Efficiency**

The third criterion for achieving sustainable social impact is the *ability to leverage the ongoing potential for increased productivity*.

As a social enterprise, Industree seeks to leverage the market's track record of supporting innovation and producing high-yield solutions. At the same time, it seeks to address the market's tendency to manufacture superficial needs to maximize the profitability of existing solutions, instead of creating solutions to more fundamental, albeit more challenging and potentially less profitable, needs.

Fueling the decision to scale, Industree had encountered several challenges inherent in its business model related to efficiency. First and foremost, Industree was unable to manage fluctuating levels of production, mainly due to large export orders, which exacerbated the artisans’ difficult conditions. Though these high volume orders meant plenty of work for artisans, their short turnaround times and sporadic timing overwhelmed artisan capacity and led to “feast or famine,” income streams. Other efficiency issues originated in Industree’s policy of guaranteeing the market by purchasing all producer goods regardless of quality or surplus stock. This practice resulted in upwards of 20% wastage rate according to Industree’s Production Manager. Managing quality on the producer side posed another issue: how can over 3,000 distributed producers working in marginal conditions be expected to turn out high quality products consistent in size, shape, color, and design? Timeliness of orders was another huge barrier to address. There was clearly a need for supply chain management to optimize efficiency across Industree’s model.

Additionally, one might question the efficiency of Industree’s hybrid model. As we have seen, the model offers distinct advantages in depth of impact and value creation, and indeed seems the most effective model for scaling. In Industree’s case, it would be ineffective to structure its retail arm as a not-for-profit, nor would it make sense to run the Foundation and its activities as a for-profit entity. That said, *implementation* of the hybrid model must be executed carefully, effectively harmonizing and coordinating activities across its hybrid entities to achieve organization-wide efficiency.

### 5.3.1 Developing Knowledge to Achieve Greater Efficiency

As a leader in the natural fiber sector, Industree has assumed significant R&D activities and process engineering for greater efficiency and quality. Over the years, Industree has made innovations in dye practices, materials handling, sustainable inputs, and finish weaves that have been adopted or copied by many of its competitors. As an industry leader, the company does not benefit from “piggybacking” on the discoveries of others, and so for the benefit of the company and the industry as a whole, it must continually look for new ways of innovating.

Inconsistent order patterns continue to pose one of the greatest challenges to Industree’s operational efficiency as well as its social mission of increasing producer stake holding. An ideal order for Industree’s distributed production model should be small in size to start with, with sufficient lead-time and guaranteed follow-on orders increasing in size commensurate with growing producer capacity. However, most large-scale customers, especially those importing Industree’s products from abroad, typically submit large, one-off orders. Industree must accept orders based on its capacity and ability to deliver on time and has, in the past, declined significant orders based on capacity constraints.

Accurate tracking of order progress and village capacity is essential if Industree’s senior managers are to make the right decisions when it comes to accepting large orders. Operationally, this information is channeled through Field Coordinators posted in the rural areas who provide face-to-face support to rural artisans and liaise directly with Industree’s production and design teams on a daily basis to provide updates on order status, production challenges, quality control issues, and surplus capacity. While this model does not provide capacity to fill large one-off orders, it ensures that vital capacity information is effectively communicated from the village level up to Industree’s top management team, helping to inform decision-making, financial planning, and raw materials requirements that hinge around capacity status.

Inconsistent order patterns also challenge the design team’s efficiency. Designer Anchal Sodhani says, “It’s very difficult to design and test, order and inventory new products when you don’t know how many orders will be coming in and when.” Efforts have been made to alleviate the effects of order patterns on the company. Chhiber has represented Industree at high-profile (and high-cost) international craft fairs to try to increase regular orders. In the end, Industree took the critical decision to shift focus away from large-scale export opportunities towards smaller, domestic retail orders, which will scale gradually and consistently as retail outlets and producer capacity increase.

A lack of institutional knowledge also continues to inhibit Industree’s efficiency, with knowledge of practice and successes housed in individuals rather than in systems. Prior to the scale-up, Industree lost two of its most senior design members, who left after three years with Industree to start their own design-related enterprises. Recognizing the monumental task of scaling up both design and production to support the expansion, Chhiber successfully recruited them back to the company. In the end, she was able to maintain the wealth of knowledge held by these two employees, but had they not come back to the company, it would have been much more difficult to successfully scale up the design processes in time for the new store launch.

### **5.3.2 Mobilizing Resources to Achieve Greater Efficiency**

As a secondary activity to achieving efficiency, how and where a social enterprise mobilizes resources can have a significant impact. For instance, Industree must allocate resources to support its producers to efficiently generate product for sale. If a family can’t afford a loom, Industree carries a loan for the necessary equipment. Additionally, Industree supplies all of its weavers with a machine-crafted heddle (a component of the handloom through which the warp threads are strung) to ensure uniform spacing throughout the weaving. Industree also provides artisan groups with free eye care, which, beyond the obvious quality of life impact, also serves to maintain production efficiency.

When it comes to resource mobilization in terms of internal staffing, Industree has recently hired a wave of new employees from retail talent pools in upper management, middle management, sales, and warehousing to support the new store launch. These employees bring with them a new perspective, with greater emphasis on retail practice and business. Kumar, from the Foundation, is looking forward to working with the newly hired professionals from the “business world” and expects they will bring valuable new skills to the organization. It remains to be seen if newly hired

Industree staff will be able to deliver the expected improvements in operational and organizational efficiency, but they certainly have the experience and knowledge to do so.

Surplus and waste products can also be seen as a resource requiring efficient mobilization. The company's policy to purchase all artisanal product has forced Industree designers and production staff to be inventive and creative in the full utilization of surplus material. For instance, after a large order with IKEA was filled, Industree found itself with thousands of surplus banana fiber place mats that hadn't met quality standards. Rather than discarding the material or discounting the product, Mervin, the Production Head, reworked the surplus mats into attractive shoulder bags to be sold in Industree stores. While this is just a small example, it illustrates how a culture of good husbandry and innovation can play a part in achieving greater efficiency.

### **5.3.3 Managing Culture to Achieve Greater Efficiency**

Industree's organizational culture has long placed an emphasis on work ethic, led primarily by Chhiber and Ram and their personal commitment to the mission and work. Not only did Industree's design team return to the company when called, they are working tirelessly at the office late into the evenings to get the new store launched. It's apparent that the stress and extended hours are wearing on people, yet they seem genuinely committed to the expansion efforts and across the board feel that their hard work ultimately results in better outcomes for rural artisans.

This commitment and work ethic is also illustrated by Industree's achievements to date. Prior to the scale-up push, a small core of committed staff took the company from its inception to three profitable retail stores despite limited working capital, tight budgets, scarce resources, and constant experimentation with new strategies to benefit rural producers in the end.

Now, with the additional scale-up funding, new staff members have been hired to fill human resources, production, and financial management roles, and existing employees are beginning to enjoy more clearly defined positions with greater focus of purpose. With a growing employee base, and more dedicated roles evolving, will Industree's staff maintain a sense of urgency around its work? As the organization grows and develops, how will cultural norms around efficiency and commitment shift? Furthermore, how will the influx of professionally trained staff members meld with the existing "catch-all" culture that has grown through necessity as Industree scales?

### 5.3.4 Engaging Stakeholders to Achieve Greater Efficiency

Stakeholder engagement plays a secondary yet significant role in achieving operational efficiency. Engaging Industree staff to achieve higher efficiency will be critical given the scale-up process. In her role as HR manager, Mishra is now looking at ways to formalize staff engagement toward greater productivity. Working with upper and middle managers, she is initiating sales targets and performance-linked bonuses for all sales staff. She also performs skills and interests assessments on each new staff member, working to leverage employee strengths by placing the right people in the right roles.

Rural producers must also be engaged to achieve efficiency, and are ideally internally motivated to this end; the more products they create, the more money they earn. Weavers typically own their own looms, which are set up in a small, single-room house (Figure 4). Mothers, daughters, and cousins take turns weaving on the same loom, so that it sits idle as little as possible. Typical weavers can churn out one



Figure 4: A weaver near Viravanallur

large-sized river grass mat in a single day, bringing in roughly \$3 USD daily for eight hours of work. With the advent of LED lighting, recently brought to rural villages, Devarajan (Field Coordinator) notes that now women work well into the evenings, where before they were limited to working during daylight hours. In particular, this allows families who also engage in agricultural activities to work on the farm during the daytime and weave in the evenings, further supplementing their income.

Industree must also work to engage the demand side if it is to align labor supply with product demand. Industree works with trained artisans in over 60 villages and thus has access to a seeming glut of available labor. Yet, given the distributed nature of its producer engagement, the model is not suited to quickly process very large, one-off orders. Industree could benefit from relationship building with large corporate buyers, importers, and retailers and enticing them to adjust their order practices to Industree's capacity. For instance, Target contacted Industree regarding a one-time order of 25 *containers* of palm leaf laundry bins. Clearly, this kind of order was impossible for Industree to take based on the current capacity of the palm leaf cooperative it had worked with for the last 12 years. And so Industree was forced to decline the order, foregoing a monumental economic opportunity both for the company and for rural producers. The company has repeatedly

been faced with such situations, galvanizing its conviction that a market for artisanal products does exist—it is just a matter of identifying the right model to maximize returns to producers.

In the future, greater emphasis could be placed on working with retailers of this magnitude to convert to smaller but ongoing orders by leveraging Industree's brand name and unique value proposition. Alternatively, Industree could seek out new relationships with growing export retailers who are also focused on sustainable and equitable trade and would therefore be more inclined to adjust their order patterns to meet the needs of rural producers.

This balance between attracting large orders and maintaining its focus on social impact must be carefully managed. When Industree started working with IKEA in 2005, it was seen as a huge opportunity for the then infant company—a contract with IKEA meant international exposure, large-scale orders, and increased social impact. Yet Industree quickly found that its weaver groups couldn't keep up with the volume of orders, and they were having trouble delivering consistency and quality. In order to keep the contract, Industree absorbed huge amounts of handloom-woven products rejected for being smaller than the order specifications called for. At the time, Industree was purchasing raw weaving material and distributing it to weavers at no cost. To avoid such losses, Industree recognized the importance of spreading risk across stakeholder groups; if the weavers had made an upfront investment in the raw material, they would have paid much more attention to product specifications, as any rejection would have resulted in a loss for them.

Industree has also established a powerloom grass weaving facility within a cluster of handloom mat weaving villages to cater to the demand for this less expensive product in domestic retail markets. This is further illustration of the tensions between social impact and business requirements that surface throughout social enterprise, as Industree must balance the company's brand image and core model—that of a rural artisan hand weaving Industree's products—with business opportunities and demand for its products.

Although Industree managed to complete \$100,000 USD in orders for IKEA over its one-year partnership, the contract ended in 2007 when IKEA changed its mandate from working with small producers in India, to working with only very large ones. Industree just broke even on these orders due to strains on production systems, though the prices agreed upon were good. Chhiber and members of the production team say that IKEA was both a huge opportunity and a financial flashpoint for the small organization that it was. IKEA imposed strict standards on everything from product specifications to packaging to manufacturing processes employed. The retailing giant



required Industree to change many of its dying practices to adhere to sustainability guidelines, something which was in line with Industree's guiding principles, but which had not been addressed proactively prior to IKEA's orders. Raju says of IKEA, "It helped a lot with our growth, and supported livable wages for many people, but it also put a lot of pressure on us to conform to their strict standards" Working with IKEA once again reinforced the concept that producer ownership should be built into the model, requiring producers to assume a portion of both risk and reward when such opportunities arise.

## **5.4 Adaptability**

Our fourth and final criterion for achieving sustainable social impact is the *ability to respond to ever-changing conditions*.

As a social enterprise, Industree seeks to leverage the market's track record of supporting calculated risk-taking, complementary (or even contradictory) approaches, and a willingness to embrace change. At the same time, it seeks to address the market's inclination to seek change for change's sake, to go along the path of least resistance, or to fail to "stick with it" when circumstances become too challenging.

Industree has proven itself to be an adaptable organization. Time and again, Chhiber, Ram, and the Industree team have taken strategic decisions and shifted course in direct response to changing market conditions. The decision to enter the niche natural fiber market; to first pursue and then shy away from large export opportunities; and the current decision to scale and enter the fast-moving consumer goods markets all point to a distinctly adaptable organizational character. However, to date, Industree has been a small and fast-moving company with Chhiber and Ram as the lone shareholders. How will the organization's ability to seize market opportunities and react to threats be impacted by its decision to scale? Will the input of retail veterans such as Biyani serve to enhance Industree's agility, or will Industree's new management structures and increased size slow the company down?

### **5.4.1 Managing Culture to Achieve Greater Adaptability**

One of the greatest challenges facing social enterprises is organizational culture that leads to stagnation. In line with the infamous "NGO mentality," some organizations find it too difficult to operate in a culture that supports entrepreneurialism, performance-based evaluations, or other

essential adaptations that are necessary to move a traditional social sector organization into the social enterprise realm.

That said, Industree has not experienced such challenges, and, if anything, excels because of a truly adaptable organizational culture. Much of this may be because, from the beginning, Industree has thought of itself as a for-profit entity. Chhiber's epiphany 12 years ago was that the only answer to solving rural unemployment was via a for-profit model. She is personally aggravated by the inefficiencies and stagnation typically found in traditional NGOs, and prides herself on running a business. This goes a long way to informing the organizational culture, which embraces shifting market developments and conditions.

For instance, Industree has twice made significant shifts in its direction and approach over the years. Initially, Industree offered all types of traditional craft products, including metalwork and woodcraft. After a few years, Chhiber recognized a market gap in natural fiber products, and predicted a market shift towards natural goods in the consumer sector. Thus, she made the decision to specialize and innovate in the area of natural fiber weaving. This decision, while risky at the time, has successfully positioned Industree as an industry leader in developing processes and techniques for working with natural fibers.

Along the same lines, in 2007 Industree shifted away from large, international export markets and began focusing on the potential for Indian domestic sales. It must have been a difficult decision to make given the attractive potential for ongoing relationships with companies like IKEA and Crate & Barrel. Once again, however, Chhiber and Ram accurately gauged industry opportunities and the potential fit with Industree's business model and made the right decision. With the Indian middle class growing at record rates and consumer spending at an all-time high, it was the perfect time to position the company as a domestic retailer.

Industree now finds itself on the brink of another key decision—the company will be expanding into a multi-brand retailer, seizing the opportunity to become an industry leader in the green, organic, sustainable market for consumer goods, food, and apparel. Most of the Industree staff see the scale-up as pure opportunity, grounded in the idea that larger scale = more sales = greater social impact. That said, the company is taking an enormous risk, both in terms of strategy and liability. Will the decision to expand pay off in the end? Judging by Industree's track record, capable CEO, and budding partnership with Future Group, the odds are looking good.

Looking ahead, Industree’s adaptability could be threatened, however, by its leadership structure. Throughout the organization, Chhiber is revered as a leader, mentor, and advocate. A handful of employees have joined Industree outside of their professional experience simply for the chance to work with Chhiber. Kumar, for example, first met Chhiber at NID, and now works with Industree in an administrative role, not in line with his area of study. Yet he sees the chance to work directly with Chhiber as an opportunity in itself. He says of her, “Neelam is fantastic—as a teacher, mother, everything! She gives you responsibility and guides you to achieve your goals.” Kumar could likely earn a higher wage in an IT position with another company, yet he is committed to Industree, and to Chhiber’s leadership specifically. Although the staff’s personal commitment to Chhiber might in many ways be the very attribute that has led to Industree’s impressive organizational adaptability (i.e. follow your able leader wherever she may take you), it also presents a potential barrier as the organization grows and evolves.

Chhiber recognizes the role she personally plays in Industree’s culture, and knows that the dynamics must and will change with the impending scale-up. “I can’t run this company forever—it’s not scalable! It’s the first thing I learned in Social-Impact—I am not trying to scale up for myself. I am trying to scale up for poor rural artisans.” Chhiber is confident in the capabilities of Rekhi to successfully lead the organization from this point forward. He has a keen understanding of the problem of rural unemployment along with a shrewd business sense. According to Chhiber, her staff has adjusted to him well so far, and she is optimistic that he is the right leader to shape the company and the culture moving forward.

#### **5.4.2 Engaging Stakeholders to Achieve Greater Adaptability**

Adaptability as it relates to stakeholder engagement must be considered on multiple levels. First, Industree sources its goods from over 3,000 individual artisans in a highly distributed model. SHGs are spread across multiple states, separated geographically by hundred of miles, yet are often times working to fill one order. How does Industree allow for adaptability and decentralized decision-making throughout its value chain? One way is through the development of the SHGs themselves. Rather than working directly with thousands of producers, the collective nature of the SHGs means that Industree works instead with only *hundreds* of groups. In line with Industree’s spirit of entrepreneurialism, each of these groups is encouraged to function as its own mini-enterprise, with the freedom to solicit orders from other vendors and choose the most profitable offer. Likewise, this arrangement gives Industree the freedom to offer orders to the most productive, high quality

SHGs—it should be noted that Industree has not pursued this option, as it continues to guarantee markets for all producing SHGs, but it could be a strategic decision moving forward.

Additionally, Industree’s model must adapt to a wide range of skill levels across producer groups. Longstanding groups, for example, will have experience with Industree’s quality standards, payment and delivery process, etc. They will also likely have been commissioned to work on more technically challenging orders over time, mixing complex dye requirements with alternative weave styles and processes with the help of Industree’s product training support. To date, Industree’s model for accommodating this range of skills levels has simply been to adapt as needed. As stated earlier, all products are guaranteed for purchase, and so Industree simply adjusts its product specifications in response to the materials it receives. While a generous accommodation to meet the needs of rural producers, this model produces high levels of material waste and may not be sustainable on a large scale.

Adaptability can also be seen on a larger scale in how Industree engages its various stakeholder groups. Industree dialogues effectively with its wide range of stakeholders on both the supply and demand sides of the market equation, using its hybrid structure to expand the dialogue broadly. As illustrated in Figure 5, Industree gathers inputs and feedback from stakeholders via both of its functional entities, which are then processed, assessed, and used by Industree’s top management

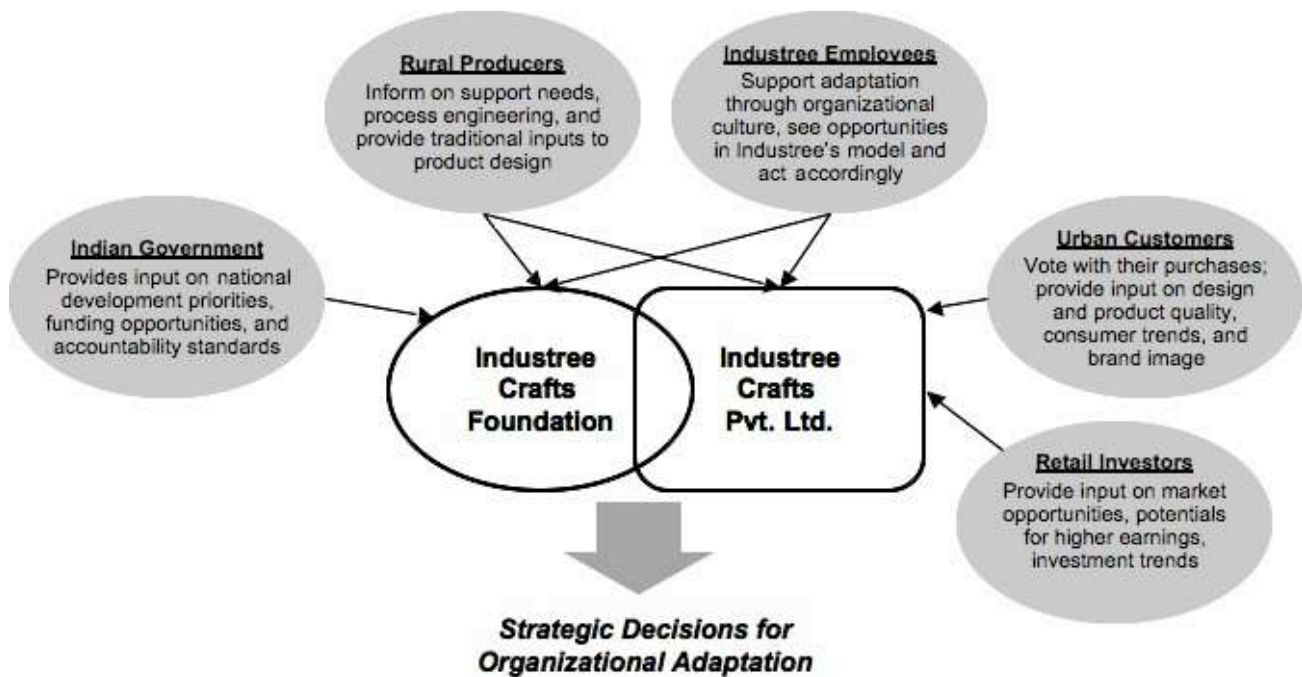


Figure 5: Stakeholder input informs Industree’s strategic decision making

team throughout its strategic decision-making process. Industree uses engaged stakeholder feedback to adapt to changing conditions, needs and desires.

### **5.4.3 Developing Knowledge to Achieve Greater Adaptability**

Market research plays a critical role in gaining the knowledge Industree needs to make the right development decisions, especially when it comes to product design and consumer trends. Urban customers have choices to make in their purchasing habits; Industree works to understand customer wants and needs, talking to sales staff about the customer experience and soliciting informal customer feedback. Industree uses trade shows and craft fairs to gauge the shifting fashion trends in textiles, furniture, and gift segments. Industree has also examined sales statements to a limited extent to identify customer buying patterns and popular items. In the future, Industree plans explore a formal customer feedback process, as well as more in-depth market research in its new product sectors, such as apparel, where trends shift quickly season to season.

In the meantime, Industree is capitalizing on rough market research to inform its entry into the apparel sector. Indian fashion is shifting rapidly, with Western styles influencing fashion trends in the younger generations, while traditional styles continue to be a key to Indian tastes. These general assumptions about the forces in the apparel industry will need to be further supported by formal market research, but offer an opportunity for Industree to fill a desirable market niche if its design team can get it right.

Throughout its existence, Industree has relied on knowledge development around working with rural artisans to inform its model design. From Chhiber's first encounter working with rural artisans during her design studies to the present day, Industree is constantly adjusting its model to fit the needs of rural artisans. Industree's design team experiments on an ongoing basis with introducing new designs, methods, and styles into producer processes. Additionally, Industree has made adjustments in product finishing, keeping as much of the value chain in rural areas as possible. With each adjustment, Industree's team learns a bit more about working with rural producers, and this serves to inform the company's next adaptation in its model.

### **5.4.4 Mobilizing Resources to Achieve Greater Adaptability**

Industree's hybrid ownership model and therefore limited reliance on traditional social-sector funding has played a large role in keeping it away from the kind of grant funding that, although

potentially significant, is rarely designed to adapt to the shifting needs of an organization. Industree's for-profit structure means that any profit made by the company can be used as the company sees fit. Likewise, Industree's Foundation has been funded primarily through government contracts that pay for specific services rendered rather than grant funding to support operations. As a result, until now, Industree has enjoyed nearly complete freedom and flexibility regarding use of its financial resources.

However, with the recent capital investment by Future Group, Industree may have restrictions placed on its funding and the way it is used for the first time. For instance, as a commercial investor, Future Group will expect that its capital be invested to maximize financial growth over social impact. As an example, Chhiber and Ram (during the negotiation stages of the deal) suggested that 2% of any profits realized from the investment should be put into a trust for rural artisan development. Future Group quickly declined, and the deal went through without any social requirements placed on future earnings. Interestingly, potential social investors like Bamboo Finance (who expressed interest in Industree) also declined to establish a producer trust. In the end, legal barriers hindered foreign investment, as there is a restriction on investment in multi-brand retail in India, and so the deals with social investment houses fell through. Ultimately, Chhiber and Ram opted to allocate a portion of their own company shares to a form a trust for producers, leaving Future Group with 43% of shares, Ram and Chhiber holding 17.5% equity stake each, Rekhi building up to hold 8% of shares, and 14% of shares set aside in a Trust for producers to purchase at par. Chhiber and Ram hope to increase the producer stake to 20% in the coming years following additional social investment in a producer-owned venture.

## 6 Balancing Synergies and Tensions

Throughout this analysis of Industree's model, the balancing act that comes along with an integrated approach to social enterprise has surfaced again and again: balancing social impact with the requirements of commercial investors, balancing the capacity of rural producers with the demands of large-scale exporters, being simultaneously at the service of rural artisans and urban consumers, guaranteeing the sale of producer goods at the cost of absorbing artisan errors and poor quality, etc. As the Four Lenses Framework illustrates, many of the synergies and tensions arising in social enterprise relate to the *secondary lenses* within each performance criterion. For instance, stakeholder engagement should be complementarily aligned with an organization's depth of impact, while there may exist tensions relating to impact across the other three lenses. The table on the following page provides a snapshot of the synergies and tensions in Industree's model using the Four Lenses approach.

<i>Performance Criteria</i>	<i>Strategic Lenses</i>			
	<b>Stakeholder Engagement</b>	<b>Resource Mobilization</b>	<b>Knowledge Development</b>	<b>Culture Management</b>
<b>Depth of Impact</b>	<p>Industree successfully engages a wide range of stakeholders in a meaningful and durable way. Rural artisans, urban customers, and company employees each play a significant role in Industree’s model, and are sufficiently engaged throughout.</p>	<p><b>Synergies:</b> Industree’s hybrid structure allows for resource mobilization in line with social impact. Its plan to scale engages 80% more artisans through various channels, increasing social impact.</p> <hr/> <p><b>Tensions:</b> New investment capital may threaten social impact priorities, shifting Industree’s focus more on financial gain.</p>	<p><b>Synergies:</b> The Social Audit Report outlines measurable targets and tracks Industree’s social impact.</p> <hr/> <p><b>Tensions:</b> A lack of codified knowledge means that Industree’s successful initiatives for achieving social impact may not be formally documented.</p>	<p><b>Synergies:</b> Industree’s hybrid culture to date has been both “for profit” and “for social benefit.”</p> <hr/> <p><b>Tensions:</b> As the company grows, its leaders must ensure that employees are grounded in the company’s social mission, keeping a “high level” view over their own work and their personal impact on the lives of rural artisans.</p>



<i>Performance Criteria</i>	<i>Strategic Lenses</i>			
	<b>Stakeholder Engagement</b>	<b>Resource Mobilization</b>	<b>Knowledge Development</b>	<b>Culture Management</b>
<b>Blended Value</b>	<p><b>Synergies:</b> Both rural artisans and urban customers are critically engaged in Industree’s ability to create value.</p> <p><b>Tensions:</b> The needs of rural producers are not always aligned with the demands of consumers, causing strain on the social enterprise model.</p>	<p>Industree successfully mobilizes its financial and non-financial resources to maximize value creation (both social and economic) across the organization, leveraging both nonprofit funding and for-profit investment to support value creation throughout its model.</p>	<p><b>Synergies:</b> Enhancing Chhiber’s new found knowledge in social enterprise methodology with Rekhi’s expertise in business and retail will maximize value creation across the board.</p> <p><b>Tensions:</b> Rural livelihoods depend on selling products, and so knowledge development must span both sides of the value chain to maximize blended value creation.</p>	<p><b>Synergies:</b> Industree’s culture of accountability, performance, and strong work ethic serves to maximize value creation.</p> <p><b>Tensions:</b> While rooted in its social mission, Industree’s culture must also embrace a rigorous business approach to achieve maximum blended value creation, combining the best of both a nonprofit and for-profit approach.</p>

<i>Performance Criteria</i>	<i>Strategic Lenses</i>			
	<b>Stakeholder Engagement</b>	<b>Resource Mobilization</b>	<b>Knowledge Development</b>	<b>Culture Management</b>
<b>Efficiency</b>	<p><b>Synergies:</b> Rural artisans, employees, and customers can all benefit from increased efficiency through higher wages, bonus pay, and lower prices respectively.</p>	<p><b>Synergies:</b> Resources can be used more effectively given increased organizational efficiency, making “doing more with less” a self-reinforcing circle.</p>	<p>Industree is working to establish knowledge development systems to inform process engineering and efficiency planning across its design, sales, marketing, and financial management functional areas. With these improvements in place, Industree can expect to see improvements in overall organizational efficiency in the future.</p>	<p><b>Synergies:</b> Industree’s culture has included a sense of volunteerism, which has motivated employees to take on more responsibilities for the benefit of rural artisans.</p>
	<p><b>Tensions:</b> Inherent limitations in rural producer capacity place a ceiling on Industree’s overall efficiency.</p>	<p><b>Tensions:</b> The needs of rural artisans sometimes require that resources be directed towards ancillary applications rather than efficiency-related initiatives.</p>		<p><b>Tensions:</b> As the company grows and incorporates more professionally trained employees, it will both gain in efficiency for their experience, but lose for their unwillingness to “volunteer.”</p>

<i>Performance Criteria</i>	<i>Strategic Lenses</i>			
	<b>Stakeholder Engagement</b>	<b>Resource Mobilization</b>	<b>Knowledge Development</b>	<b>Culture Management</b>
<b>Adaptability</b>	<p><b>Synergies:</b> Industree’s hybrid model allows it to be flexible and responsive to the various needs of its stakeholders.</p> <hr/> <p><b>Tensions:</b> Inevitably, the needs of all stakeholders will not always align, and so Industree will need to balance strategic decisions accordingly.</p>	<p><b>Synergies:</b> Industree’s resource mobilization strategy and hybrid model have allowed for significant flexibility in the use of its funds.</p> <hr/> <p><b>Tensions:</b> Moving ahead, Future Group’s commercial investment will place new limitations and requirements on Industree’s financing.</p>	<p><b>Synergies:</b> Knowledge development across all areas plays a key role in Industree’s decision to adapt or stay the course.</p> <hr/> <p><b>Tensions:</b> Institutionalization of knowledge is challenging to begin with, and compounded by the company’s wide range of stakeholder needs.</p>	<p>Industree has proven itself to truly be a learning organization primarily for its fast-moving, entrepreneurial organizational culture. Individual employees feel ownership over the company on a whole, and take pride in being a part of both a functioning business and an organization addressing a social problem.</p>

## 7 Conclusion

The Four Lenses Strategic Framework gives us a new approach to evaluating the “success” of a social enterprise such as Industree. Using this integrated, layered approach, we have analyzed organizational performance based on four primary indicators—Depth of Impact, Blended Value, Efficiency, and Adaptability. Throughout, we have explored the various synergies and tensions that arise across the Four Strategic Lenses (Stakeholder Engagement, Resource Mobilization, Knowledge Development, and Culture Management) and have noted impressive successes by Industree across the Four Lenses, as well as some areas for future attention and improvement.

By taking an integrated approach to social enterprise, we can begin to understand the benefits of Industree’s model as it relates to all stakeholder groups involved:

- *Customers* benefit from access to high quality, fashionable, affordable, and ethically sourced products that reinforce their convictions and support fair trade values.
- *Rural artisans* benefit from a consistent supply of product orders, working capital and infrastructure loans, ongoing training for product innovation, increased earnings, and the potential to take ownership in an integrated business.
- *Investors* benefit from financial returns (with Industree targeting 7.5% profit within the next five years, these could be substantial) as well as social returns in the form of measurable social impact.
- *The Indian Government* benefits from the opportunity to invest development funding into training and employment programs that connect rural artisans to consumer markets, moving them up the value chain and out of poverty.
- *Industree* itself and the *retailers* that source its products benefit from a consistent supply of innovative products in step with changing consumer trends.
- *Chhiber, Ram, Rekhi, and the rest of Industree’s team* benefit from the satisfaction of having created both a viable business and a reputable NGO that, first and foremost, succeeds at increasing the welfare and livelihoods of rural artisans across India.

Likewise, Industree's activities in resource mobilization have supported the organization's growth and success to date. It has effectively leveraged potential resources from both the for-profit and nonprofit sectors, leading to its ability to create truly blended economic and social value.

Industree's use of knowledge development systems is potentially its weakest lens, leading to some areas for improvement in the organization's operational efficiency. However, with the scale-up underway, Chhiber and her team have substantial plans to increase both resources allocated and emphasis placed on knowledge development systems across the board.

Finally, Chhiber and Ram's ability to manage organizational culture at Industree has laid the foundation for success across all the performance indicators analyzed here. Their masterful balance between a for-profit, no-nonsense business approach and a genuine, company-wide concern for the social mission at hand is no doubt responsible for much of Industree's success to date.

Looking ahead, Industree is faced with an exciting phase of growth, evolution, and potential large-scale success. As the organization scales, incorporates new stakeholders, and adapts its model in the face of an ever-changing global economy, it is encouraged to evaluate its activities across each of the Four Lenses, mindful of their impacts in all performance criteria. Given the organization's significant achievements across the Four Lenses thus far, if Industree continues to employ an integrated approach to social enterprise as it scales, it will be well positioned to achieve truly sustainable social impact.

# 8 Appendices

## 8.1 Sample of Industree Products



## 8.2 Financial Statements

### ICPL - Statement of Profit and Loss Account (Rs in '000)

INCOME	2008 (Provisional)	2007 (Audited)
Sales - Local	30250.67	28519.12
Sales - Export	14287.67	9700.61
Dividend Received	0.80	2.00
Interest On FD	71.49	137.95
International Foundation Developmet	1.72	-
Other income	145.98	248.71
<b>TOTAL</b>	<b>44758.32</b>	<b>38608.39</b>
EXPENDITURE	2008	2007
Cost of Goods	18359.11	17733.85
Administrative Expenses	18600.27	15112.35
Financial Expenses	606.75	1181.94
Selling & Manufacturing Expenses	5729.41	2471.38
Depreciation on fixed assets	1128.11	1101.26
<b>TOTAL</b>	<b>44423.65</b>	<b>37600.78</b>
Net Profit for the year	334.84	1007.61
Add : Deferred Tax	-	375.00
Less : Provision for Taxation	-	-1018.12
Less : Tax of earlier years	-	-17.60
Net Profit after taxation	334.84	346.89
Add: Balance per last Balance sheet	4793.32	4446.43
Balance carried to Balance sheet	5128.16	4793.32
APPROPRIATION OF SURPLUS	2008	2007
Transfer to Reserves and Surplus	5128.16	4793.32
<b>TOTAL</b>	<b>5128.16</b>	<b>4793.32</b>
ICPL - Balance Sheet (Rs in '000)	31 Mar ,2008 (Provisional)	31 MAR, 2007 (Audited)
Fixed Assets	7614.82	7224.15
Investments	6.40	6.40
Deferred Tax assets	394.60	394.60
Current assets:		
Inventories	6065.06	9463.35
Sundry Debtors	5444.23	3498.24
Cash & Bank Balance	2514.34	496.02
Loans & advance	5271.54	7396.95
<b>GROSS TOTAL ASSETS</b>	<b>27310.98</b>	<b>28479.71</b>
Less :Current Liabilities	-8311.06	-7908.15
Assets minus current liabilities	18999.92	20571.56
CAPITAL & LIABILITIES		
Share Capital	4200.00	2900.00
Reserves and Surplus	5128.00	4793.32
Loan Fund	9671.92	12878.24
<b>TOTAL CAPITAL &amp; LIABILITIES</b>	<b>18999.92</b>	<b>20571.56</b>

**ICF - Statement of Revenues and expenditures ( Rs in '000)**

<b>INCOME</b>	<b>2008 (Provisional)</b>	<b>2007 (Audited)</b>
Grants	1870.28	1212.94
Consultancy fee	425.00	-
Donation	175.00	-
Other income	52.98	231.54
<b>TOTAL</b>	<b>2523.26</b>	<b>1444.48</b>
<b>EXPENSES</b>	<b>2008</b>	<b>2007</b>
Administrative Expenses	43.73	90.02
Financial Expenses	14.55	11.22
Research & Development Expenses	2634.16	835.35
Depreciation of fixed assets	390.30	25.75
<b>TOTAL</b>	<b>3082.75</b>	<b>962.35</b>
Operating (deficit) / surplus	-559.49	482.13
Net ( deficit) / surplus for the year	-559.49	482.13
<b>APPROPRIATION OF SURPLUS</b>	<b>2008</b>	<b>2007</b>
Transfer to General Fund	-559.49	482.13
<b>TOTAL</b>	<b>-559.49</b>	<b>482.13</b>

<b>ICF - Balance Sheet ( Rs in '000)</b>	<b>31 Mar. 2008 (Provisional)</b>	<b>31 Mar. 2007 (Audited)</b>
Fixed Assets	198.05	216.79
Current assets:		
Debtors and other receivables	44.59	-
Liquid assets	138.92	675.73
Deposits and Loans & advances	640.09	579.45
<b>GROSS TOTAL ASSETS</b>	<b>1021.64</b>	<b>1471.98</b>
Less :Current Liabilities	-432.42	-336.06
<b>Assets minus current liabilities</b>	<b>589.23</b>	<b>1135.92</b>
Capital & liabilities		
General Fund	248.32	807.81
Loan Fund	340.91	328.11
<b>TOTAL CAPITAL &amp; LIABILITIES</b>	<b>589.23</b>	<b>1135.92</b>