



JOBS
KNOWLEDGE PLATFORM

COMPANY INNOVATIONS TO HELP THE POOR NO. 1

APRIL 2012

Common Threads

Steelcase and ARZU's market-led approach to create employment opportunities for women weavers in Afghanistan



McKinsey & Company



LACEA



REALM/AMERU

This note was authored by Helena Hwang (Consultant, Poverty Reduction and Equity Group, The World Bank), under the guidance of Jaime Saavedra (Director, Poverty Reduction and Equity Group, The World Bank) and Gladys Lopez Acevedo (Senior Economist, Poverty Reduction and Equity Group, The World Bank). The author thanks Melissa Bertenthal and Connie Duckworth from ARZU and Steelcase for their time in sharing information and insights about their organizations and collaboration, as well as Thomas Hamilton from Designtex and Deb Bailey from Steelcase for reviewing interim drafts and providing comments.

About the “Company Innovations to Help the Poor” Series:

This series of notes aims to inform a wide range of key stakeholders how to apply a market-led approach to reduce poverty and support employment for poor workers. It captures and disseminates lessons learned and practical information from company experiences incorporating supporting jobs for the poor in developing countries into their business operations and product lines. In addition, the series will share information on how corporations implement their strategic decisions to support sustainable communities and create jobs, while maintaining responsibility to their customers and shareholders.

About the Jobs Knowledge Platform:

The World Bank, together with its partners, has recently begun an initiative for a global platform to convene a multi-disciplinary approach to the jobs agenda. The platform seeks to share knowledge and foster debate and solution to the jobs agenda worldwide. In addition to being a learning resource, the Jobs Knowledge Platform (JKP) aims at strengthening a global community while identifying good practices and lessons learned about jobs globally and on country and regional advances. For more information, visit www.jobsknowledge.org.

ARZU: SUSTAINABLE POVERTY ALLEVIATION FOR WOMEN WORKERS

ARZU, a Chicago-based NGO, was founded on the goal to apply a market-led approach for sustainable poverty alleviation achieved through artisan-based employment that empowers women. Focusing on Afghan women, the organization identified rug weaving as an employment opportunity that fit within the cultural framework and limitations for women that exist in the country. Historically, women have always woven rugs inside their homes, but often have had to sell their products to intermediaries and ended up only receiving a fraction of the market rate. ARZU decided to begin an initiative that hires Afghan women weavers to work on looms inside their homes, and sell the finished products to a largely Western market.

To begin the initiative in 2004, ARZU hired local staff based in Kabul, and they began to meet with village elders and explain what they wanted to do and ask for permission—a necessary first step, taking into account the cultural norms of Afghan society. Once the elders gave permission, they helped ARZU secure family participants and ARZU staff met with the male heads of households at their homes. There, they explained the terms of the initiative (such as, all women and any children under the age of 15 must attend school and that women would be allowed to leave the home to receive antenatal, labor, and post-natal care), and confirmed which families wanted to participate with a registration sheet. This initial process took about one year from the first meeting with village elders and the beginning of operations, and the process for subsequent villages varied on how conservative or liberal the area was.

Each rug, depending on the size and weave type, takes between one to six months to complete. ARZU staff delivers all rug materials to weavers' homes. Any weaver that does not own a loom joins ARZU's "rent to own" program, which typically takes about three years for weavers to own the loom. When rugs are complete, ARZU staff pay the weaver the market rate (based on total square meters). If it passes the quality test (nearly all rugs pass due to frequent monitoring and guidance throughout the weaving process), the weaver receives an additional 50% bonus.

The additional benefits weavers receive are at the heart of ARZU's operations in Afghanistan. In order to be a weaver for ARZU's products, women and their families must agree to in a social contract that provides worker benefits through a three-pronged portfolio of services: job training, health, and education. Participants receive literacy training and any pregnant women and newborns receive health care. ARZU uses a combination of donations and the proceeds from sales to fund its social programs and pay the weavers fair market wages. It also covers the cost of local staff to ensure quality control, train weavers to improve techniques, and manage the distribution channels. Currently, ARZU's sales fund 50% of its social programs, and the organization hopes to be fully financially sustainable in the next several years.

STEELCASE: FOCUS ON SUSTAINABILITY

Steelcase, founded in 1912, is a US\$ 2.4 billion company with nearly 10,000 employees worldwide.ⁱ The company's business practices reflect its commitment to John Elkington's triple bottom line, defined as the 3 P's of People, Profit, and Planet.ⁱⁱ CEO Jim Hackett believes maintaining the right balance of these three aspects is important for the company's future, stating that Steelcase has a responsibility to create value for customers, shareholders, as well as communities. It is because of Steelcase's emphasis on

social responsibility that leads the company to invest resources where it would not if its sole focus was profitability. Indeed, Steelcase has a history of focusing on communities to ensure that business operations consider the larger aspect of benefitting the communities in which they operate and, more recently, in developing countries. As illustrated in the partnership with ARZU, incorporating poor workers in developing countries into a company's supply chain translates into higher start up costs (additional time and resources). Although in this example, ARZU absorbs a significant portion of the additional cost of employing workers in Afghanistan, Steelcase does believe the challenge of incorporating sustainable communities into business operations allows the company to be more efficient, spur innovation, and increase competitiveness, all of which also drives profitabilityⁱⁱⁱ.

STEELCASE AND ARZU'S PARTNERSHIP

In 2008, ARZU founder Connie Duckworth and Steelcase CEO James Hackett realized their organizations' shared interests in applying a private sector approach to supporting sustainable communities. Hackett realized ARZU's products would be a good fit for Steelcase's textile subsidiary Designtex, and they agreed to create Common Threads—a new collection of handmade rugs designed by Designtex designers, but made by ARZU's women weavers in Afghanistan. There were strong synergies on both sides for this private sector-NGO partnership. ARZU's high quality, high-end handmade rugs were a natural fit for Designtex's corporate and high-end customers. The combination of high quality products fit well with Designtex's offerings, and the fair market wages, economic empowerment of women, and social contract rang true with the company's strong interest in supporting communities in need. ARZU had a high quality product made by a reliable work force and a distribution channel in place to send the products to the US. Steelcase offered strong brand recognition synonymous with Western corporate and other high end clients, and had strong market knowledge of which designs would appeal most to this segment. Linking ARZU's products to Steelcase, the world's largest office furniture company, would brand its rugs as product offerings for global corporate and high-end consumers, and increase both customer demand and confidence in the rugs. From the corporate perspective, products that are not profitable, but only derive some publicity for social responsibility, are not sustainable in the long run.



An ARZU grapher working on a DesignTex rug design in Afghanistan

To launch the Common Threads collection, Designtex paid ARZU 50% in advance for 43 rugs for the NeoCon industry trade show in 2009. It is important to note that in this partnership, Designtex did not pay an additional premium for the rugs to help finance the NGO's operations. Keeping in line with balancing responsibility to shareholders, customers, as well as to sustainable communities, Designtex paid the market rate for highly customized rug (retailing between \$6,500 and \$11,000), which was what they would receive from ARZU. The additional cost to Designtex for incorporating ARZU's program participants to its line of products came by way of an additional time investment to finalize rug designs. Designtex designed 6 new designs they knew would appeal to the corporate and high-end customer segment in 3 different color combinations and 3 different sizes. However, it took several iterations between Designtex and ARZU designers to work with their Afghan colleagues to determine what colors were possible using the local vegetable dyeing and finishing processes.

Although the products were created in homes across several villages in Afghanistan, there were no challenges meeting the delivery deadline for Designtex in Chicago. ARZU has a reliable distribution channel, as its local staff travel to weavers' homes to cut the rugs off the looms themselves, and then air ship them directly from Kabul to Chicago. ARZU also maintains quality control, as quality monitors visit weaver homes on a weekly basis to check progress and help them improve their weaving skills. During these visits, monitors also take and send digital photos to update the Chicago office on progress.

FOLLOWING THE PARTNERSHIP

During the NeoCon trade show, the Common Threads collection won two awards: one for Innovation and one for Editor's Choice. Steelcase was ARZU's first commercial order, and following NeoCon, ARZU's rug orders increased significantly. As of January 2012, the program employs 700 weavers, and the maternal health care and literacy training provided to weaver family members totals 4,000 beneficiaries.^{iv} When ARZU first began, the level of interest varied pretty consistently by village. Now, the organization has multiple wait lists of weavers in line to join the program. Currently, ARZU's program is active across three villages in Bamyan and seven villages in Andkhai.^v At present, ARZU is now working on new lines with several additional corporate partners. Steelcase's Turnstone group recently began another endeavor employing workers in developing countries. It partnered with a company called 2fysh, to develop a line of handmade ottoman covers made by Kenyan single and widowed women, and debuted at the 2010 TED conference.

CONCLUSION

Steelcase and ARZU's partnership illustrates the realized potential of what can happen when an NGO and a corporation overlap in their strategic vision and goals and work together to create job opportunities for the poor. There are certainly many examples in developing countries where similar partnerships have failed. How these two organizations organized their partnership, as well as their market-led approach to creating job opportunities for women in Afghanistan, are lessons that could certainly be applied to future projects in developing countries.

When it comes to beginning such an initiative, NGOs often have the deep knowledge of developing country cultures, traditions, and how to work locally with communities to develop initiatives with the local leaders and key stakeholders to ensure community support, identify environmental and social

concerns, and ensure the endeavor truly benefits the community. As seen in this initiative, identifying an employment opportunity that was culturally acceptable for women was very important. Also, beginning with identifying a high quality product that has a viable market of consumers was an important first step to make this initiative a success.

This initiative also showcases how the private sector can directly engage in job creation to support poor workers in developing countries. As seen with the Common Threads collection, what may be a small adjustment in business operations for a corporation can translate into tremendous impact to support poverty alleviation for workers in developing countries. A private sector-NGO partnership eliminates the information asymmetries and allows rural workers in Afghanistan to produce products that are in demand in high-end markets abroad. However, companies also have to reconcile their triple bottom line and their responsibilities to customers (for quality), to shareholders (for profits), as well as to communities (for supporting sustainability). In this partnership, Steelcase accepted a product development cycle that was nearly six months longer to support employment in Afghanistan. For its part, ARZU absorbed the costs of quality control, workforce management, and managing the distribution channels. As ARZU continues to forge new corporate clients and Steelcase continues to seek new partnerships that employ workers in developing countries, a key lesson learned from this private sector-NGO partnership is that it is feasible for a corporation to contract out to social enterprises without lowering quality standard or significantly affecting profitability.

ⁱ Steelcase Inc., 2011 Annual Report (Grand Rapids: Steelcase Inc., 2012).

ⁱⁱ Elkington, John. "Towards the Sustainable Corporation: Win-Win-Win Business Strategies for Sustainable Development." *California Management Review* 36.2 (1994): 90–100. Print.

ⁱⁱⁱ Tyson, Mitch. "Why the Triple Bottom Line Matters More Than Ever." 8 Jan. 2010. Web. 25 Jan. 2012. <<http://www.greenbiz.com/>>.

^{iv} ARZU began with only 30 weavers in 2004. It also currently has an additional 300 participations for its other livelihood programs: alternative fuel brickette production, poultry rearing, best practice horticulture, and baking.

^v Because of the increase in insecurity and inability to continue social programs, ARZU plans to cease operations in Andkhai in late 2012.