I AM LIKE A JUNKIE LOOKING FOR HIS NEXT FIX

Why Sunil Mittal needs MTN real bad
THE MAGIC CARPET

Kanni Devi's hands work deftly as they knot brightly coloured wool on tightly wound warp threads. "Do taar chodd ke lagaale re; lal jhai sabaj bachecha; kala chalta," she sings. Her husband Chottelal, who is working at the other end of the loom, chants, "haanji", in sync. It sounds like a Rajasthani folk song but is really instructions based on the design template this carpet has. Loosely translated, it means, "Leave two strings and then put the red on the red; put it behind the green; and put it right on the black."
Karni and Chotwal are two of the 125 carpet weavers in Narhat, a tiny village close to Jagatpur. Narhat is what local administrators term as a "landless village." No one here owns land. Most belong to impoverished underprivileged classes and 70 percent are into rug-making.

Carpet weaving is an industry associated with lower-class existence in the popular imagination. But over the last three years, things have changed for Karni and Chotwal. Chotwal, who has always lived hand-to-mouth, recently took a Rs. 1 lakh loan to build a pucca house. He put both his daughters in a private school, for a fee of Rs. 100 per child. One month ago, he filed a health insurance claim — and got Rs. 1,400 — for hospital visits. He keeps his latest acquisition, a Nokia mobile phone, under his loom. "We would love to buy a TV too but because of the hill ranges around, we don't get TV signals here," says Chotwal. Karni weaves bright magenta lipstick now, an indulgence that was unimaginable three years ago.

Earlier the couple used to weave carpets for contractors who paid them Rs. 50-60 a day per person. Now they earn above Rs. 100 a day each. The raw material is delivered to them unlike before when they had to travel to town to get it. Chotwal now has a better sense of carpet weaving, as he has received rigorous training.

Like Karni and Chotwal, scores of families in this village have made the crossover to a better life.

**Changing the Template**

The soft-spoken Nand Khishore Chaudhary, founder of Jaipur Rugs, is the person responsible for all this. Chaudhary doesn't speak much English and has never studied in a business school. But the social enterprise model that he has created for Jaipur Rugs has changed the lives of 40,000 odd weavers in villages across 10 states in India.

Under this model, his Rs. 67.75 crore (turnover) company engages independent weavers and the living conditions — none of whom are on his rolls.

The idea first came to him in 1990, when he realised that the government

two people who are constantly on fact-finding missions across the country looking for new markets where carpet weaving can be done. "We recently found that in Chottanagpur, there are lots of Muslim women who aren't allowed to go out of the house. They end up becoming bead workers earning Rs. 10-15 a day," says Chaudhary. So Jaipur Rugs started a pilot project in six regions with 500 weavers on board about 18 months ago.

But working with scattered communities of weavers makes it tough to maintain quality standards acceptable to international clients.

Another alarming fact: Each month Jaipur Rugs was incurring a loss of Rs. 5 lakh (on a turnover of Rs. 5 crore) due to defects. "That is Rs. 60 lakh wasted each year due to mistakes!" he says. "But a carpet is woven, it goes through 27 other processes and the defects are proving to be a big drain."

To tackle that, Chaudhary put in place an army of quality supervisors who visit every loom at least twice a week. The weavers — some of whom have been working for contractors for years — are given intensive training where proper processes are enforced. "Changing habits is tough. Weavers, who have worked for contractors all these years, are not used to being process-driven. Even the trainees don't take us seriously initially," says Chaudhary. Constant communication, he says, is key.

Chaudhary also embarked on a mission called Zero Defect that is being piloted in Narhat. It lays down the processes that the weaver must follow. Says Deepak Sharma, director, Karni, the consultants who have taken on the task, "We developed a booklet for the processes the quality supervisors are supposed to look at — this has a full checklist."

During a seminar, Chaudhary picked up the idea of implementing Quality Circles, or forming volunteer groups that analyze, discuss and find solutions to larger organizational challenges. "To implement this concept with the weaver community by forming self-help groups for them," says Chaudhary. "These groups meet regularly, brainstorm and solve problems."

**The Next Level**

Chaudhary also ensures that everyone working for the company is part of a family. The Jaipur Rugs Foundation (JRF), a welfare foundation for workers, functions perfectly with this belief. Says Devendra Shukla, director, JRF, "The foundation aims to take weavers to the next level and make them stakeholders in the business." It provides skills training, skill upgradation, computer-aided design training and entrepreneurship development. It also gets the weavers Artisan Cards, a government initiative that allows artisans several benefits, helps them get health insurance, and forms self-help groups (SHGs) of weavers. JRF is also trying out a new experiment

where it will form SHGs of weavers, bring them together as a company or trust and produce carpets under the new company's own brand. A pilot for this is on in Thana-gar in Rajasthan. The ownership of the brand will lie with the weavers and Jaipur Rugs will also have a say in the management of the trust.

A couple of months ago, Chaudhary got a phone call. The voice at the other end said, "Mr Chaudhary, this is OK. Do you know who?" Chaudhary almost fell off his chair. The person on the line was management guru C.K. Prahalad — Chaudhary had met him at a TED (an NGO for promoting entrepreneurship) seminar in Jaipur in January. The call was about his company. Jaipur Rugs is now being documented as a case study in the fifth edition of Prahalad's book at the Bottom of the Pyramid. Chaudhary is also being invited by business schools like Wharton to talk about his business model. Teams of students and professors from INSEAD and IMD are also visiting his company. Says Chaudhary, "I love exploring it. I experiment with small things. When I see the results, I get excited. And that prompts me to do bigger things."

**A POSITIVE SPIN**

**The Man:** Nand Khishore Chaudhary, 55. He started with two looms and nine artisans in 1978.

**The Company:** Jaipur Rugs is one of India's largest carpet exporters. It has a network of 40,000 weavers across 19 states in India. The company sells in over 20 countries across the world.

**The Business Model:** Each artisan is an independent entrepreneur who receives training and other professional help from the company.

**Social Impact:** Artsans' incomes have increased dramatically. The company launched Jaipur Rugs Foundation (JRF) in 2004 which works in the areas of skill development, rural employment, education and health support for artisans.

**Academic Impact:** C.K. Prahalad is including a case study on Jaipur Rugs in the fifth edition of The Fortune at the Bottom of the Pyramid. Chaudhary has given talks at Wharton School of Business and University of Michigan's Ross School of Business. Prof. B.N. Hiemstra and Prof. H.K. Mishra from the Institute of Rural Management, Anand, are working on a case study on the value chain of Jaipur Rugs and its impact on the livelihood security of weavers.