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**The Viyellatex Business Model: Emphasis on Corporate Social Responsibility  
to Attain Long Run Sustainability**

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### **Abstract**

Profitability, the ultimate objective of a business firm, may not be sustainable unless the firm tries to undertake its responsibilities to society and environment. In contrast to classical theories that highly emphasis profitability as major responsibility for a firm, the contemporary socio-economic theories suggest business should be sustainable responsible business (SRB) and try to achieve corporate sustainability through achieving economic, environmental and social sustainability. A relatively new textile and garments manufacturing company in Bangladesh, the Viellatex Group, adopted the contemporary socio-economic theory in its business operations. It tried to protect and improve environment at every stage of its operations process, provided highest possible economic and social benefits to its workforce, and engaged itself in many social philanthropy. However, it did not sacrifice its profitability and business growth while performing environmental and social responsibilities. The Viyellatex Group business model is a good example of how a business may achieve corporate sustainability through sustainable responsible business.

**Key Words:** *Sustainable Responsible Business (SRB); Corporate Social Responsibility (CSR); Corporate Sustainability; Environment; Social Welfare.*

### **Introduction**

The classical theories of business define sustainability for firms as its ability to ensure long-term profitability for the investors. This school of economic theoreticians including Nobel laureate Milton Friedman emphasise profit maximisation as the ultimate corporate social responsibility (CSR) for a firm as it ensures profitability (Friedman, 1962; Friedman, 1970). This managerial view of business suggests firms to participate in those social actions necessary to meet certain economic and legal responsibilities and not more than that (Basu and Palazzo, 2008). However, this view is inconsistent to the sustainability approach to economic transactions as the firm may

maximize profits by damaging nature and may ignore its duties to society when possible. Emphasise on economic sustainability alone may imbalance environmental and social sustainability.

The World Commission on Environment and Development (WCED) under the chairmanship of Harlam Brundtland described sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” and asked for limiting environmental degradations (United Nations, 1987). The report advised to establish a mechanism that would ensure both economic development and preservation of natural resources and ecosystems. The core of this form of development is an enduring relationship between human economic activities and the natural world, which does not diminish the prospects for future generations to enjoy a quality of life at least as good as it is for present generation. The concept of sustainable development has established direct link between environmental protection and the process of economic development. Natural environment is a global public good and its degradation in one country, especially pollutions through economic activities, may produce negative externalities all through the world. Pollution of air, water, and land raises marginal social cost of consuming many products above marginal private cost of producing those products. Societies have to bear this additional cost in the form of diseases, pollutions, damage to biodiversity and lose of valuable natural resources like waterways, forests, landscape etc. The economic activities by firms have been damaging the environmental sustainability significantly since the first industrial revolution in the Europe.

Businesses have responsibilities to society as it provides opportunities and environment for firms to make profits. Rockefeller (1971 cited in Anshen, 1980) states that-social accountability is an integral part of corporate conduct, not a philanthropic add-on, and healthy social climate is vital for future economic prosperity of firms. Business firms have greatest social responsibilities to their workforce, which is the ultimate resource of any organisation (Maphosa, 1996). The business may become socially responsible by giving back some welfare to society (Buccholz, 1990). Firms should abide by social norms and values and make practical contributions to social welfare through community services and preservation of cultural heritage (Wood, 1991). The

contribution of a business to social welfare raise public image of the firm and enhance its acceptability and sustainability in the society.

The contemporary socio-economic theories suggest business should be sustainable responsible business (SRB). According to Wikipedia (Wikipedia, 2010), sustainable responsible business or corporate social responsibility (CSR) *“is a form of corporate self-regulation integrated into a business model. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its support to law, ethical standards, and international norms. Consequently, business would embrace responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere.”* SRB implies that a firm should try to optimize profits without neglecting the social welfare and environmental protection. Only profit maximisation without any contribution to welfare of society may become a threat to long-run business sustainability of a firm. Many firms are now becoming interested to achieve long-run sustainability through SRB.

The Viyellatex an integrated textile-manufacturing group in Bangladesh since 2001 adopted a business model to perform socially responsible business to achieve long-run sustainability. Responsibilities towards employees, community, and the society drove the company towards embarking upon various ecological and social initiatives along with efforts towards higher profitability. It saves significant level of water and energy and pollutes air and water less by adopting environmentally efficient operations. Provides free health and educational facilities to build motivated and loyal employees and contribute to various social welfare activities regularly. These environmental and social initiatives reduced operations cost of the Viyellatex. Apart from the financial gains and being an eco friendly company, these innovative initiatives have brought numerous domestic and international awards and accolades for the company which eventually gave it the confidence for attaining the deserved reputation, a competitive edge and a better sustainability. This paper is to analyse the business model of the Viyellatex to explain how a company can achieve profitability and social welfare together to ensure its long-run sustainability.

## **Corporate Sustainability**

The definition of corporate sustainability lacks consensus among academics, however most of them follow the definition of sustainable development by Harlam Brundtland. Accordingly, Dyllick and Hockerts (2002) defined corporate sustainability as meeting the needs of a firm's direct and indirect stakeholders without compromising its ability to meet the needs of future stakeholders as well. The contemporary theories of management considers sustainable development as win-win case for private business firms and support the corporate social responsibility initiatives (Atkinson, 2000; Dyllick and Hockerts, 2002; Young and Tilley, 2006). Within the win-win paradigm, economic benefits of corporate social responsibility to firms is emphasised and the relevance of environmental and social issues for corporate sustainability is derived from a purely economic perspective (Hans et al, 2010). This paper accepts the win-win paradigm of corporate sustainability and avoids the criticisms against it.

Elkington (1999) suggested three principles for corporate sustainability development – economic prosperity, environmental quality, and social justice. Some empirical research shows that a sustainable corporate management system that integrates environmental and social factors along with corporate financial performances has positive impacts on overall corporate performance (Oktem et al., 2004). Porter and van der Lind (1995) observed a positive link between firm's operational innovations and properly designed environmental standards that ultimately lower production costs and benefits firms' economic performance. The ability of a firm to maintain or improve environmental quality through innovative process determines the long-run economic success of it (Christmann, 2000). Corporate philanthropy leads to enhanced positive impression for business firms (Brammer and Millington, 2005); however, firms with higher financial performance used to participate more in social activities (Strdivant and Ginter, 1977).

## **Viyellatex Business Model**

Viyellatex is an integrated textile manufacturing private limited company in Bangladesh. Established in 2001, it achieved very fast business growth over the period of 2001 to 2010. During the period, the growth rate is around 20 percent per year. It has achieved a business turnover around 180 million US Dollar in 2009-10. This business group has 8 companies and

13,500 employees. The product portfolio of the group includes yarn, fabric, apparel, logistics, and plantation. Important customers of this business include many world famous companies like Puma, G-star, Marks & Spencers, Esprit etc.

At the very early stage of operations, Viyellatex Group realised the importance of sustainable responsible business (SRB). The strategy of the Group has been to ensure long-run economic sustainability through environmental and social sustainability. It assumed responsibilities towards employees, community and the society from inception or operations and started many ecological and social initiatives to protect nature and improve social welfare. The vision of Viyellatex's sustainability is "*we want to build sustainability in everything we do so that our profitable growth makes positive impact on our society.*" It established four principles for its business sustainability as following,

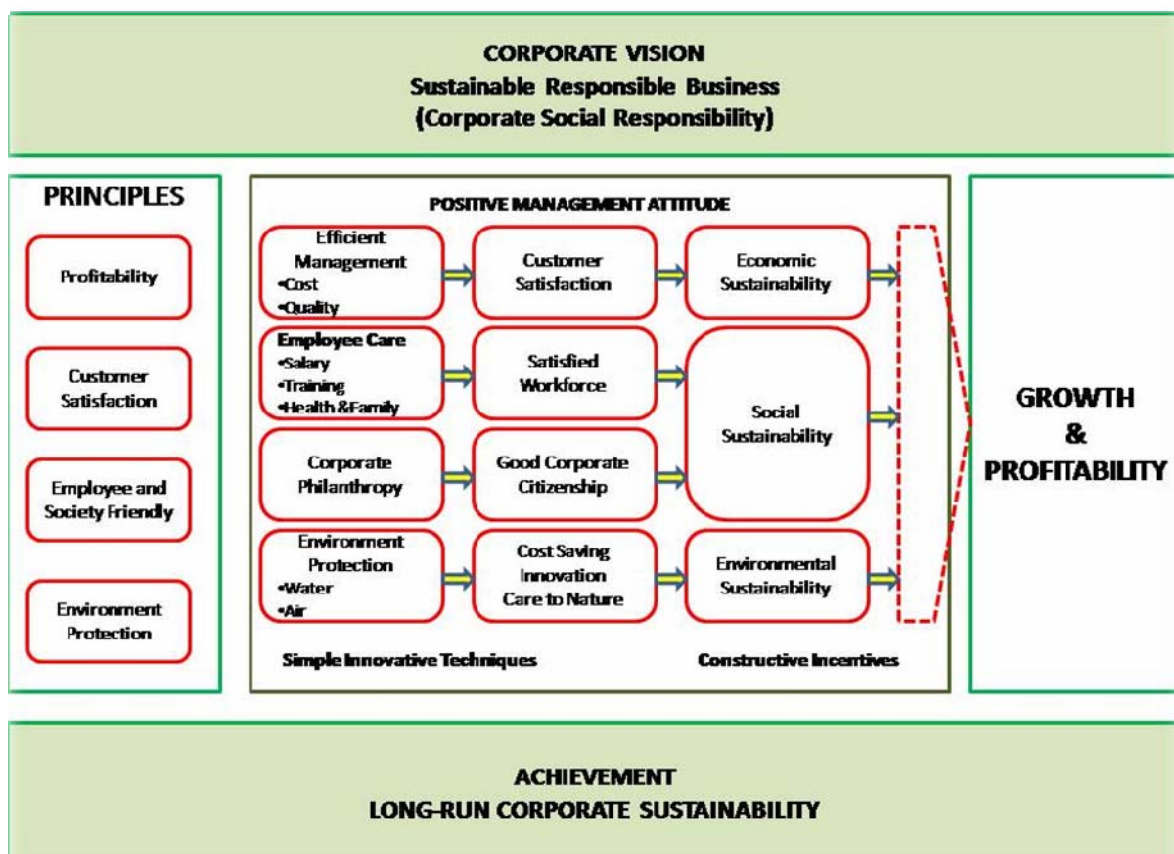
- Higher profitability and better return on investment for shareholders of the company;
- Effective and superior services to customers to ensure their satisfaction;
- Better quality of life for its employees and social welfare through corporate philanthropy;
- An operational process for the company that ensures efficient use of air, water, land and other natural resources during production.

From the very beginning, the company nurtured the objective of survival amidst stiff competition through sustainable business and maintained persistent endeavours for green initiatives, better working environment, and cost saving vis-à-vis better bottom-line. Unlike many senior managers, the top management of this company had positive wills to be sustainable through simple innovative techniques and constructive incentives. They pursued the management style of how new ideas can be transformed into positive initiatives and implemented for attaining continuous improvements. The figure 1 shows the business model of the Viyellatex Group.

The Viyellatex Group is trying to achieve long-run corporate sustainability through sustainable responsible business. It is pursuing to attain all three sustainability suggested by academic literature -social sustainability, environmental sustainability and economic sustainability. An efficient and effective management is behind the achievement of economic sustainability. The management emphasise cost savings and quality improvement as tools to satisfy customers.

Unlike many corporations in developing countries who exploit employees to raise profitability, Viellatex pays satisfactory salaries and benefits to employees. The company also provides health and other social benefits to family members of employees. It regularly arranges training programmes for employees to improve their professional skills. It takes necessary initiative to reduce air and water pollutions whenever possible. These environmental initiatives have positive impacts on the cost structure of the company. It never considers environmental cost as sunk cost rather it considers it as investments to efficiency enhancements in operational process. Attempts for all three sustainability gave the company higher profitability and growth. The Group feels that it is in the stage of achieving long-run corporate sustainability.

**Figure 1:** Viellatex Business Model - Corporate Sustainability through Sustainable Responsible Business



## **Sustainability Initiatives of Viyellatex Group**

The Viyellatex Group introduced many innovative and employee friendly sustainability initiatives since its inception in 2001. These initiatives covered all three areas where a private business firm may participate. The following discussions are on the major sustainability initiatives of this Group.

### **Economic Sustainability**

The Viyellatex Group opted for the unique Japanese operations system to attain economic sustainability. The company is very sincere to ensure timely delivery of good quality products at lower cost. It achieved lower cost of operations through reduced inventories and improved quality. The company introduced lean manufacturing system that systematically identify and eliminate wastages. Lean manufacturing system ensured lower production costs, increased output, shorter production lead times, and higher flexibility. Main features of the lean manufacturing system of this company are the following.

1. **5s: Sort-Set in Order-Shine-Standardize-Sustain:** Success of lean implementation requires 80% culture change & 20% technical change. As a part of culture change, the company practiced it in all sections of the company.
2. **Visual Management:** Visual Management systems enable factory management or workers or anyone interested to be well informed about production procedures, status and other important information for them to do their jobs more effectively & efficiently. It helps the problem or waste to be more visible.
  - *Traffic Light Management System:* Flags of three different colours were used for quality control by assisting the supervisor and management to manage effectively. Green, yellow and red coloured flags indicates good quality, caution and quality problem respectively. Implementing this system helped achieving reduced rework and reject percentage.
  - *Visual Status Board:* Visual status board for sewing line enabled floor management and top management to be informed about the efficiency, production status, rework

and reject status, no of machines used, no of members working in the line, 5S score & safety cross etc.

- *Others:* Additional visual charts (say fabric defect charts), visual process, indicators, visual display & visual posters are placed at different places of the industry. All of these visual tools helped to achieve “8-Zero” (zero waste, zero defects, zero downtime, zero injuries, zero customer complains, zero changeover time, zero loss & zero delays)

3. **Awareness Program:** To build a lean culture among everyone of the industry had to think in the same way. The company arranged training programs on lean thinking philosophy on regular basis for the management staffs as well as the workers.

4. **Cellular Manufacturing System:** Waste due to line imbalance was the main type of man-hour loss in the garments sewing section. Approximate 40 to 30 percent of man-hour wasted due to line imbalances. With the aim of reducing this huge amount of man-hour losses, cellular manufacturing system based on team works, had been introduced at Viyellatex. The benefits associated with cellular manufacturing includes reduced work-in-process by 75%, throughput time reduced by 29%, rework reduced by 24%, rejection reduced by 23%, and most importantly labour productivity or efficiency increased by more than 35%.

### **Environmental Sustainability**

Viyellatex Group always concern about environment and environment protection is one of its core corporate values. It is a signatory of United Nations Global Compact (UNGC), this group continuously working to reduce its carbon footprint on the environment and eventually these green initiatives has given better business sustainability of the group. Many of these environmental initiatives were innovated in house by Viyellatex technical teams. The environmental initiatives not only ensured pollution control but also ensured substantial cost saving for the company. Viyellatex’s buyers ( e.g. Puma, S. Oliver, G-star, Burton, M & S, Esprit ) require this group to be environment friendly and they are satisfied with its

environmental initiatives. The major environmental undertakings of the company that saved an operational cost of more than one million USD annually are the following

- Re-condensed exhaust steam generate 80°C pre-heated water; fed into the feeder tank of 12MT Boiler. It increases the temperature by 50-55degree Celsius, saves hefty energy and minimizes global warming. Ensures 30% cost saving for water and energy.
- Re-cycled 300000 liters treated effluent water feed the flushes in the toilets used by 8000 workers daily. It saves about 93 million liters underground water annually.
- 2.7MT exhaust steam from 10MW gas generator is re-directed to the chiller feeder and used for co-generation chiller producing 900 MT air-cooling pressure that serves the production floors ensuring saving in energy and reducing pollution.
- Fabric dyer exhaust is redirected to air inlet and feed into the burner to reduce the energy consumption. A simple innovative technique which Viyellatex started to use few years back. It helps reduce 15% gas burning.
- Monsoon rain water (average 95 inches) collected from 250,000 sq ft roof top is preserved; through simple filtration process used for fabric production; annual saving is about 55 millions liters of ground water.
- Implementation of a simple idea from a staff resolved problem of food residue management emanating from the free lunch served to 8000 workers. Food residue is currently used as raw materials for producing organic fertilizer that brings additional financial gains.
- Viyellatex is constantly doing projects with international partners to develop eco friendly textile products. With BASF, it did the Carbon footprint project to minimize the carbon emission in the wet processing.
- To off-set carbon emission of all companies of the group, Viyellatex has taken an initiative to plant more than 6 million permanent trees in 1703 acres abandoned tea state at Kulaura, Moulvibazar.
- The Viyellatex Group became a UN Global Compact signatory in April 27, 2009. Being a comparatively new signatory, Viyellatex strongly support the GC initiative and its principles since its inception as a GC signatory. They have been communicating with the GC head office in New York as well as with the local network in Bangladesh for its actions and

strategic planning to implement the GC principles within their organization. The Viyellatex Group has been submitting their communications on progress (COP) regularly.

### **Social Sustainability**

The Viyellatex Group considers people as the most important resource and tries to provide best possible facilities to its workforce. The spending for human resource is an investment that pays back in the form of industrial peace, higher productivity, and constructive relationship between management and labour. In addition to contribution to its own people, the company regularly contribute for the people in the society. Various corporate philanthropies made the company a respected name in various social circles, especially in medical and educational sectors of Bangladesh. The social initiatives of this company divided in two groups – workforce and society.

#### ***Initiatives to Workforce***

The Viyellatex group is taking utmost effort to maintain occupational safety and health. It ensures safety during work times, protects workforce from unanticipated hazards, and provides health and welfare to people employed in this company. The group also taking steps to protect co-workers, family members, employers, customers, suppliers, nearby communities, and other members of the public who are impacted by the workplace environment. In addition to these, there are other initiatives to workers those are uncommon in the readymade garments and textile sector of Bangladesh.

**Salary 20 percent higher than minimum legal requirements:** The Viyellatex group paying 20 percent more wage than defined by Bangladesh labour law and Bangladesh Garments Manufacturing & Exporters Association (BGMEA). The company decided to distribute 5 percent of its profit among the workers from the year of 2010.

**Added Medical Service:** Every officer and worker at Viyellatex group may avail free medical assistance during working hours. The medical centre consists of three doctors and two beds. Also there is an ultra sonogram machine for the pregnant workers. They are provided free ultra sonogram facility even when they are on leave.

**Medical treatment for Pregnant Worker:** The garments and textile sector is women labour intensive sector. Taking into consideration this fact, the company introduced convenient maternity and pregnancy related medical facilities for female workforce. The antenatal clinic was established within Viyellatex factory premise for its female worker at the inception of the company. There is a facility to have a pregnancy detection test in the company's medical centre. During the maternity leave a female worker can get the medical advice along with full medicine from the Viyellatex medical centre. Every pregnant worker whether permanent or new gets Folic acid, Vitamin B complex and Zinc, Calcium etc. free of cost from the very beginning when pregnancy is detected. Every permanent female worker is undergone for two Ultrasonogram tests free of cost to see the condition of the baby and gestational age.

**Maternity Leave:** Every female worker (who has been confirmed her job after six months) can get the maternity benefit. Which include 112 days leave with salary (according to her last three months salary structure).The payment is made 50% in advance and after joining the rest amount is given.

**Child Care Facility for the female workers:** There is a child care centre at Viyellatex campus to facilitate female workers having young baby. Two governesses are engaged in taking care of the babies of the workers. The company provides food and medicine free of cost at that time.

**Women Empowerment:** In a developing country like Bangladesh, women face the challenge to achieve equality in the critical areas like economic participation, economic opportunity, political empowerment, educational attainment and health and well-being. Viyellatex Group ensures women empowerment by employing greater number of woman workers. Economic participation concerns not only the actual numbers of women participating in the labour force, but also their remuneration on an equal basis. In Viyellatex Group the women worker are getting equal salaries along with male workers.

**Employment to Physically Handicapped Women:** Physically handicapped women are very much sufferer in the society, they have difficulty in getting jobs let alone. The Viyellatex group

as of now trained up 34 physically challenged girls and employed them into main stream jobs. Initial job training is also provided to them to upgrade their skills.

### ***Corporate Philanthropy***

- Viyellatex group has contributed 10,000 pieces of readymade garments and 5000 bottles pure drinking water for cyclone affected people in Bangladesh in 2007. Moreover, Tk. 5,00,000 and Tk. 1,08,048 were donated to government relief fund and cyclone affected factory workers respectively from staff and worker's one day salary.
- Company donates around 1000 Blankets and 6000 pieces winter clothes to the cold affected rural peoples every year. In addition, about 500 blankets and 2000 pieces winter clothing were donated to poor people during winter season of Rangpur district through 66 infantry division of Bangladesh Army in Rangpur Cantonment.
- The company sponsored a generator for the local mosque; distributed organic fertilizer to the local poor farmers free of cost; donated 2 sets school uniform to all 700 students of a primary school, and 1000 polo shirts for Ahsanullah University of Science & Technology.
- The company arranges free 0-5 clinic for all employees' children regularly. The company bought land to build a 80 bed non-profit hospital.
- The Viyellatex Group regularly contribute to educational institutes in Bangladesh. In 2010, the Viyellatex Group built a wi-fi enabled computer lab for Department of International Business of University of Dhaka at a cost of around USD 70,000 to enhance academic training of the students. It built a multipurpose auditorium for a girls school at Noagaon in Bangladesh.
- The Group donated blood refrigerated centrifuge machine to Bangladesh Thalassaemia Society, and a dialysis machine was donated to Dhanmondi Kidney hospital. It organizes annual free eye camp (including surgery and medicine) for employees and local community.

### **Conclusion**

The Viyellatex Group is a good example of how a business firm may achieve corporate sustainability through sustainable responsible business. The company management follows the philosophy of great scientist Charles Darwin "*It is not the strongest or most intelligent of the*

*species that survive, but those that are most responsive to change.*" To be sustainable the company often change its operational process and became more effective. The business growth of the company is the proof that the company achieved corporate sustainability without avoiding corporate social responsibilities.

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