

CASE STUDY: RENATA ENGINEERING PLASTICS

Description of the company

Background

Renata Engineering Plastics commenced operations in September 1992. The CEO, Mr. Rohit Thawani, is a mechanical engineer, a graduate of the Delhi Engineering School, and has professional experience with Indian-based multinationals such as DCM Toyota, Modi Xerox and Klochner Windsor.

Renata's first clients were Amphenol Amphetonix and Lumax. Since then the company has been growing steadily, developing more than 60 different types of plastic components and moving upscale in the production of higher added-value materials. It currently employs 20 people.

At present Renata is engaged in the manufacture of custom-moulded plastic components. The components are supplied to a variety of industries that include automotive parts, consumer durables, electronics, telecommunications and engineering.

Participating in the business linkage programme

When Mr. Thawani decided to start a new company in auto components, he was convinced he would be trying to sell to the global market. As he likes to say: *"The market is the whole world now."*

Local markets, especially in the automotive component sector, are regionally concentrated, with three major geographical areas, Delhi, Mumbai and Chennai. But international markets are structured differently and accessing them does not depend on geographical location but on providing comparative advantage, quality and effectiveness in the services provided.

"If India has become a world leader in software production," says Mr. Thawani, "why can't we become world leaders as suppliers for the automotive sector? We have the potential skills, the comparative advantage and the technical and commercial assets needed to provide good global services. What we need is the capital to be able to upgrade technologically and the awareness to create a continuous learning approach to our production systems."

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Renata Engineering Plastics
CEO

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Hence his major concern for keeping his business competitive was how to upgrade technologically. In 1998 he received a letter inviting him to apply to a Business Linkage programme that was being implemented by UNIDO in India to upgrade SMEs of the automotive component industry.

The programme selected 21 SMEs from the automotive component sector. The group represented a broad variety of materials (metal, plastics, etc.) from the western Indian region. The programme consisted of three different types of activities:

- Classroom training sessions with the selected SMEs to brief them on quality management, cost efficiency and deliveries;
- visits from industry experts to oversee the production process and make recommendations to improve them, as well as providing information on practices in China, Europe and Japan;
- of the 21 SMEs six were selected based on best performance to travel to the auto fair of France in 1999 and gain exposure to the production processes of European manufacturers.

Outcome and proven results

In order to evaluate corporate performance and measure qualitative and quantitative impacts, three different areas of performance need to be distinguished:

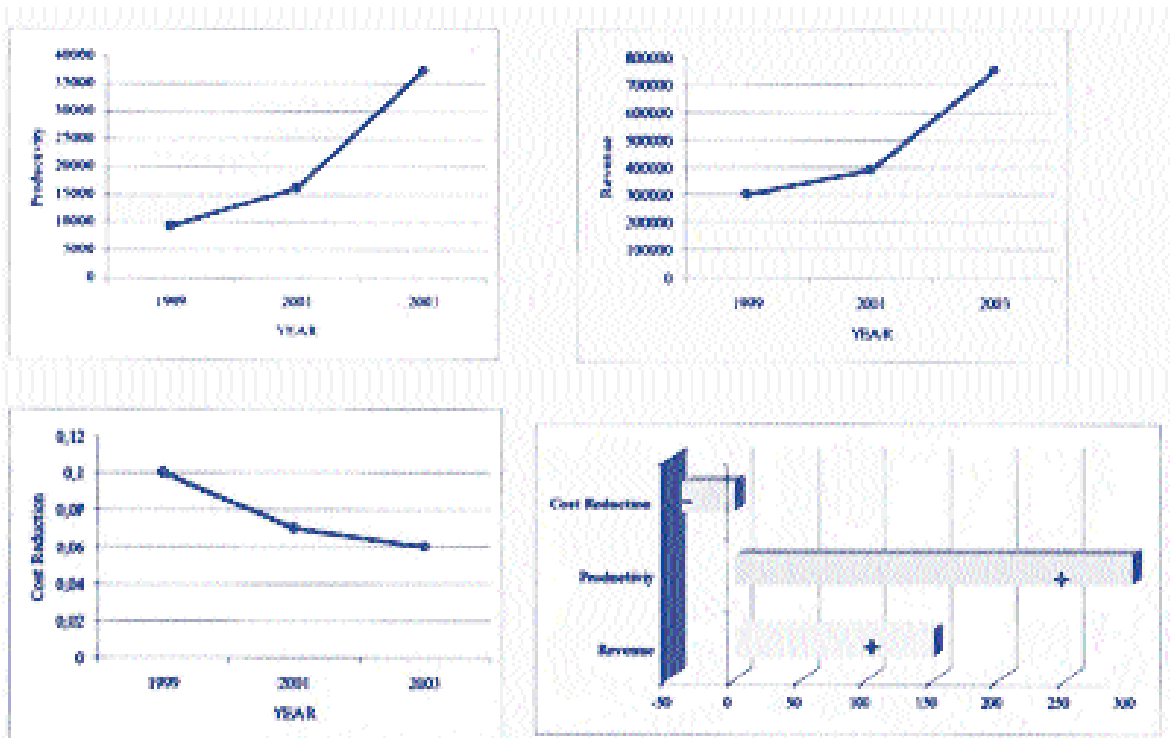
- Business performance,
- quality performance,
- environmental and social performance.

Business performance³⁷

Renata Engineering Plastics has been quantifying its results since 1999. The business performance has been impressive, increasing revenue by 150%, productivity by 300% and reducing production costs by 40% in only four years.

³⁷Part of the information obtained from the INSEAD and UNIDO questionnaire for business processes and supplier and customer integration.

Figure 1 | Business performance of Renata Engineering Plastics from 1999 until 2003



Cost reduction and revenue are measured in US dollars and productivity is measured by dividing annual sales revenue by total number of employees.

Quality performance

Renata has also improved its quality of performance, reducing customer complaints by 75%, the product defect rate by 68% and capacity loss by 35%.

In addition to these indicators, the other quality performance indicators that have been quantified are:

- **On time delivery:** measured by the percentage of how many products were delivered on time. Since 1999, there has been an improvement of 20%.
- **Rate of rejects:** measured by the percentage of rejected products. There has been an improvement of 40% in the last four years and only six per cent of production is currently rejected.
- **Changeover time:** measured by the minutes spent on average on one machine. Renata has reduced the changeover time by 50% since 1999 and currently spends 60 minutes on changeover.

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Improvements of environmental and social indicators in companies are best achieved if the management seeks to integrate tools to improve social and environmental impact with tools to improve quality management.

Environmental and social performance

Environmental and social aspects are harder to quantify. Although Renata Engineering Plastics is not comprehensively quantifying the impact it has on the environment and the community, Mr. Thawani showed concern and indicated that measuring the socio-environmental impact of the company was a mid-term goal for which he required technical support.

Nevertheless, by upgrading its technology Renata has achieved several positive results related to the environment since 1999 and has developed a much more integrated policy towards its employees.

As a result Renata has achieved improvements in its environmental performance mainly through the application of adequate management methodologies, which are integrated into its overall management approach within its business plan.

This fact proves that the improvements of environmental and social indicators in companies are best achieved if the management seeks to integrate tools to improve social and environmental impact with tools to improve quality management. This is beginning to happen at the cutting edge of CSR development in the North with the move from separate consideration of social, environmental and economic issues towards sustainability management and the increasing importance given to the business case.

However, social and environmental pressure on suppliers tends to be piecemeal and unrelated to the business case. CSR initiatives, embedded in a business linkages concept, should include support in quality management for SMEs and focus on the business case as well as on compliance mechanisms. Equally, initiatives that focus on general business development, upgrading and training support for SMEs should integrate social and environmental management skills both in relation to entering into global value chains and serving local markets.

As it can be appreciated by the results described in Figure 1, Renata Engineering Plastics has achieved a very successful improvement in reducing its energy consumption per ton produced since 1999, a total reduction of 60%.

Furthermore, Renata recycles 100% of the water it uses through its system thanks to the investments in environmentally sound technology to filter and re-use all the water that is consumed through the production process. Water that is not used by the system is re-utilised in a new garden the company has created to improve the working environment for

employees. In addition, the company also plans to invest in a compost plant to recycle solid and garden waste.

In terms of social performance, Renata has just started quantifying indicators that measure employee satisfaction. One of the new requirements of the company is to invest 125 hours a year per employee for external training. Another positive aspect is that Renata's commitment to employee safety has led to zero accidents during 2002.

Global Compact performance model

As a result of the Global Compact Policy Dialogue 2002 on Business and Sustainable Development, a performance model was proposed to enable companies to replicate and scale up the good practices that integrate the Global Compact principles into company performance.³⁸ The model is built on the principle of continuous improvement to achieve world class in a context of continuously more demanding, competitive benchmarks.

A brief assessment of Renata's integration of the nine principles based on the Performance Model's 10 elements follows:

Vision

Renata's vision is to achieve world class in its core business of plastic moulded components. Mr. Thawani and the core management team are very aware that in order to achieve this, it is necessary to implement quality management systems, integrate the employees in the decision making process and adopt a proactive approach towards integrating their environmental impacts.

Enablers

As defined by the Global Compact Performance Model, enablers are necessary elements to ensure excellence in every objective the business chooses to pursue. The elements proposed by the model in this category are leadership, empowerment, policies and strategies, allocation of resources and process innovation.

Social and environmental indicators:

- Energy reduction per unit produced: 60%,
- water recycled over annual consumption: 100%,
- component materials recycled per year: 20%,
- annual hours of training to employees: 125 hours per year,
- accidents occurred: 0.

³⁸Global Compact Learning Forum – Briefing paper, UN Global Compact, April 23, 2002.

Mr. Thawani is convinced that in order to achieve a world-class level in Renata's core business, it will be necessary to adopt environmentally responsible practices, create a respectful employment situation and promote social development to have a positive impact on the community and along the production chain.

In order to do that, he has empowered his management team by engaging them in the formulation of the operations strategy of the company and the implementation of changes.

His strategies focused on the improvement of quality and moving up the value chain. The company integrates research and development and process innovation in tool designing and product improvements.

In a recent questionnaire given to the employees of Renata, a big majority strongly agreed with the following statements:

- People often do favours for one another and will go out of their way to help each other.
- People are encouraged to bypass formal channels to get their jobs done.
- Questioning and debate is openly encouraged in the organisation.
- There is a well-known and effective process for reviewing new ideas and suggestions put by the workers
- Budgets and other resources are very fluid in the company and can be easily re-deployed to new projects without much bureaucracy.

Results and reporting

These aspects (results and reporting) of the Performance Model reflect to more than the financial and direct operational output parameters. The concept of results is more holistic and stimulates a broader vision of the role of the business in its social environment. Its elements imply the impact the company has on people, on society and on the value chain. In addition it also suggests reporting on performance and measuring the improvements of processes, as well as social and environmental excellence.

As seen, Renata is not only quantifying its business performance, but it's also quantifying quality performance and evaluating its environmental and social impact. The company is starting to measure aspects like its defect rates, absenteeism, employee training and energy and water consumption, among others. To this point, Renata has not published any annual report with its quality, social and environmental performance, but they are currently considering it and might publish one in the near future.

Enhanced business linkages

Renata Engineering Plastics has achieved substantial results in terms of business linkages. At the beginning of the programme, Renata supplied a few customers with a limited range of goods. As a result of the partnership with UNIDO and other organisations, the company was able to expand its product base from delivering low-quality plastic components to two companies without any significant added value, to delivering more than 60 different types of high-quality plastic components that are now supplied to more customers in a variety of industries, including automotive, consumer durables, electronics, telecommunications and engineering.

Finally, as a result of its successful participation in the programme, Mr. Thawani, CEO of Renata, has been invited to participate in a seminar on productivity and efficiency that will be held in Japan in December 2003. Therefore, the programme has helped Renata not only to develop business linkages with the local industry, but also to increase the potential for international linkages through exposure to players and techniques in the global market.

Lessons learned and questions unanswered

As a participant of the partnership programme, Mr. Thawani has appreciated the importance of business linkages within the current context of highly competitive world markets. He learned that through discipline and organisation and by adopting an approach that continually improves and upgrades the production system, Renata Engineering Plastics can excel as a truly world-class competitor, even as an SME.

According to him, partnerships are essential “because as SMEs we just can’t generate the economies of scale required to bridge the technological and knowledge gap. Working together among different actors, sharing information and know-how and being able to know where we are positioned versus the rest of the world, is essential for survival.”

With such a mindset, Mr. Thawani has also been capable of overseeing the challenges that Renata faces in order to improve business linkages at global levels. According to him, the major question for Renata now is

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how to move up the value chain and shift from a producer of plastics components to a producer of finished products.

In this sense, the programme has given him the tools and means to achieve internal discipline, to acquire quality management and cost effectiveness techniques, and especially, to establish a corporate standard toward progress, self-established targets and demanding goals on production and management.

According to Mr. Thawani, however, one of the remaining unanswered questions is how to benchmark oneself with the rest of the market. Based on his experience in the programme, he has assigned targets for annual employee training sessions, for efficient delivery, for rejection of products and defects and for achieving perfection in general. What he admits to be lacking is an understanding of what these goals should be so that Renata Engineering Plastics can compete in the global market. He currently seeks further advice on how to define internationally relevant and achievable goals for his programmes.