Derby Clothing – Chennai, India

Contributions to decent work and economic growth:
A look at direct and indirect job creation

IMPACT CASE STUDY | NOVEMBER 2019
About Seed

The Stanford Institute for Innovation in Developing Economies (Seed) partners with entrepreneurs in emerging economies to build thriving enterprises that transform lives. Operating throughout Africa, India, and Sri Lanka, Seed’s vision is to end the cycle of global poverty. The flagship offering is the Seed Transformation Program, a one-year intensive entrepreneurship education program for leaders and their teams. Upon completion of the Transformation Program, leaders can access Seed Network services such as coaching, consulting, student interns and various networking and skills building events. Seed offers unique access to training which challenges leaders to reassess their company’s vision and make ambitious changes towards growth that will ultimately transform lives.

Introduction

Derby, a clothing retailer based in Chennai, India, participated in the Stanford Seed (Seed) Transformation Program in 2019. To understand the company’s impact on its direct and indirect employees and other key stakeholders, Seed conducted an impact case study during the summer of 2019. Our study was informed by the following questions:

1. What is Derby’s impact along its value chain, on people and/or the planet?
2. To what extent does Derby contribute to United Nations Sustainable Development Goal 8 (SDG 8), focused on decent work and economic growth?
3. What are Derby’s contributions to other UN SDGs?

Derby was founded in 1994 by CEO and managing director Vijay Kapoor. The company is a retailer that specializes in fashionable menswear. Derby has experienced 7% annual revenue growth since 2012, and 17% since starting the Seed program in late 2018.

Figure 1: Revenue in USD
Methodology

We conducted a B Impact Assessment, created by the nonprofit B Lab, with Derby’s CEO to obtain a general assessment of the company’s policies and practices around governance, workers, community, the environment, and customers. Employees completed a survey based on guidelines established by the United Nations and the Gallup-12 survey. Finally, we surveyed Derby and its key suppliers and franchise partners to understand job creation since beginning the Seed program in late 2018. Data was analyzed to measure direct and indirect employment changes from late 2018 to the end of 2019. 2019 data was used to estimate an employment multiplier, which captured the ratio of total direct and indirect jobs associated with Derby relative to each direct job at the company.

Impact at a Glance

We used guidance from the Impact Management Project (IMP) “Impact of an enterprise template” framework1 and the B Impact Assessment2 to determine that Derby’s primary impact contribution is to decent work and economic growth — UN SDG 8. Derby also contributes to other SDGs through its commitment to environmental best practices.

*Figure 2: Impact at a Glance (condensed set of IMP dimensions of impact)*

<table>
<thead>
<tr>
<th>Who experiences the outcome?</th>
<th>Suppliers</th>
<th>Workers</th>
<th>Community</th>
<th>Planet</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What outcomes occur?</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job creation</td>
<td>Job creation and decent work</td>
<td>Job creation</td>
<td>Reducing environmental footprint</td>
<td></td>
</tr>
<tr>
<td><strong>How much scale and depth?</strong></td>
<td>514 Jobs (40 new jobs ‘18 – ’19) &lt;br&gt; 40% female workers</td>
<td>70 Jobs (10 new jobs ‘18 – ’19)</td>
<td>160 Jobs (Decrease of 10 jobs ‘18 – ’19)</td>
<td>N/A</td>
</tr>
<tr>
<td>Deep</td>
<td>Deep</td>
<td>Marginal</td>
<td>Moderate</td>
<td></td>
</tr>
</tbody>
</table>

2 [https://bimpactassessment.net/](https://bimpactassessment.net/)
Derby outperformed the B Impact benchmark of similar organizations by 42.6%. Its score is close to 80, the minimum score to apply to receive B Corp Certification.

**Derby’s Contribution to UN SDG 8**

**Direct and indirect employment**

Since Seed, direct jobs have increased 16.7% (vs. a compound annual growth rate of 7.2% before Seed). Indirect jobs at suppliers have increased 23.2%.

**Figure 4: Direct jobs at Derby**

![Bar chart showing direct jobs at Derby from 2013 to 2019. The number of direct jobs increased from 43 in 2013 to 70 in 2019. The compound annual growth rate is 7.2%.]
We estimate that Derby supports 674 indirect jobs, via suppliers and retailers, and 70 direct jobs — 744 jobs overall. Examining total jobs supported, we reach an estimate of 140 new jobs supported by Derby in the last year. With this direct and indirect job data, we can calculate Derby’s employment multiplier as 10.62 – for every direct job at Derby, 10.62 total jobs are supported.

\[
10.62 = \frac{70 + 674}{70}
\]

This multiplier is exceptionally high. Estimates for the employment multiplier in the durable manufacturing industry tend to range between 3 and 4.6.

**Takeaway 1:** *Focusing on deep relationships with a few key suppliers creates stronger indirect impact*

Derby’s employment multiplier is exceptionally high. Some of these key suppliers can almost be better understood as partners, with Derby representing as much as 70% of business.

**Takeaway 2:** *The textile and garment industry remains a notable avenue to employment for women in India*

Forty percent of indirect jobs supported at Derby suppliers were women, indicating that Derby makes

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\[\text{We calculated how many jobs were attributable to Derby by scaling down the number of jobs at each supplier by the}\]

\[\text{percentage of its business represented by Derby. With the assumption that our sample of suppliers is representative}\]

\[\text{of the supply chain as a whole, we estimate that 514 indirect jobs are supported in Derby’s supply chain, up from 374}\]

\[\text{indirect jobs supported in the supply chain in 2018.}\]
a contribution to the UN Goal of gender equity. Our analysis indicates that Derby’s supply chain affords an avenue to employment for urban women in southern India, who suffer from some of the highest unemployment and lowest mobility rates in the country.

**Figure 5: Change in direct and indirect jobs**

<table>
<thead>
<tr>
<th>Source</th>
<th>Jobs 2018</th>
<th>Jobs 2019</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derby</td>
<td>60</td>
<td>70</td>
<td>10</td>
<td>17%</td>
</tr>
<tr>
<td>Suppliers</td>
<td>374</td>
<td>514</td>
<td>140</td>
<td>37%</td>
</tr>
<tr>
<td>Franchises</td>
<td>170</td>
<td>160</td>
<td>-10</td>
<td>-6%</td>
</tr>
<tr>
<td>Total</td>
<td>604</td>
<td>744</td>
<td>140</td>
<td>23%</td>
</tr>
</tbody>
</table>

**Decent Work**

Beyond raw data analysis, we also aimed to develop an understanding of employment at Derby and assess its contributions to decent, meaningful, and sustainable work. This more nuanced look at employment is particularly pertinent in India, where job creation efforts often prioritize quantity over quality. As a recent McKinsey Global Institute report emphasizes, there is a pressing need for “gainful employment” for India’s workforce of 460 million.

**Figure 7: B Impact Assessment “Workers” section**

<table>
<thead>
<tr>
<th>Workers</th>
<th>Benchmark</th>
<th>Derby Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Security</td>
<td>7.4</td>
<td>10.9</td>
</tr>
<tr>
<td>Health, Wellness, &amp; Safety</td>
<td>6.9</td>
<td>4.5</td>
</tr>
<tr>
<td>Career Development</td>
<td>3.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Engagement &amp; Satisfaction</td>
<td>3.7</td>
<td>3</td>
</tr>
</tbody>
</table>

In the B Impact Assessment, Derby performs well relative to peers in areas of career development and financial security. We believe the low healthy and safety score is a result of a limitation in the B Impact design whereby the survey gives a score of zero for questions which do not apply to the surveyed company. The engagement score suggests that Derby could seek to better promote satisfaction amongst employees in the workplace.
Employee Survey

Employees were asked to indicate their level of agreement with statements designed to evaluate factors that drive quality employment. Just under one-fourth of Derby’s workforce was surveyed. On average across all 12 questions, employees agreed 51 percent of the time, expressed no opinion 29 percent of the time, and disagreed 20 percent of the time. An interesting trend emerged among results: questions about workplace culture such as belief in the company’s mission and friendship in the workplace had amongst the highest scores, but scores were lower for questions regarding employer-supervisor dynamics. Derby might seek to increase overall engagement by improving hierarchical dynamics.

Derby’s contribution in other impact areas

Beyond employment, Derby maintains an impressive commitment to best practices across the impact spectrum. Derby adheres to policies designed to reduce the company’s footprint, minimizing harmful environmental impact and promoting high standards of sustainability both internally and at suppliers. Derby has reached carbon neutrality and achieved 20 percent energy savings in the last year alone from conservation and efficiency improvement. Over 75 percent of product and packing materials used are recyclable or biodegradable. Suppliers are also screened for environmental practices to ensure that certain standards are upheld throughout the supply chain.

Figure 8: B Impact Assessment “Environment” section

<table>
<thead>
<tr>
<th>Environment</th>
<th>Benchmark</th>
<th>Derby Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Mgmt</td>
<td>1.1</td>
<td>3.9</td>
</tr>
<tr>
<td>Air &amp; Climate</td>
<td>0.7</td>
<td>7</td>
</tr>
<tr>
<td>Water</td>
<td>0.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Land &amp; Life</td>
<td>2.2</td>
<td>4.9</td>
</tr>
</tbody>
</table>

Conclusion

Derby Clothing has seen consistent growth in both revenue and employment in the last few years. Revenue has grown 17.5 percent annually and jobs have grown 7 percent annually. In the last year, since beginning the Seed Transformation Program, Derby’s impact has grown substantially, with direct employment growing 17 percent and total jobs supported increasing 23 percent. As Vijay Kapoor pointed out, Derby is “still transitioning to implement the lessons learned from Seed.” The program’s real impact will likely manifest more clearly in coming years. Kapoor explained that Seed helped Derby reorient the company’s vision and towards attainable goals and actionable benchmarks: “[The program] came to us at a time when we needed it, when we were heading the wrong way.”
Derby offers strong support of the notion that examining direct employment alone is an inadequate means of understanding labor market impact. To consider only direct employment at Derby would be to underestimate the number of jobs supported by a factor of 10. Derby also serves as a refutation of the notion that an impact focus is an inhibitor to profit or growth. Derby has experienced strong and consistent growth of both revenue and employment in recent years all while improving its community and environmental impact and requiring suppliers to also maintain best practices.

“Your purpose should have a larger impact. The only way we as entrepreneurs can create real impact is by understanding how our work actually helps the society around us.” - Vijay Kapoor

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To read the full student report by Nick Kingsley with references, click here.