Goodrich Gasket

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

Goodrich Gasket, a gasket manufacturing company based in Chennai, India, participated in the Stanford Seed (Seed) Transformation Program in 2018. 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 the impact of Goodrich’s value chain on people and the planet?
2. To what extent does Goodrich contribute to United Nations Sustainable Development Goal 8 (SDG 8), promoting sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all?

Goodrich Gasket was founded in 1987 by Ashwin Kumar, brother of the current CEO, Arun Kumar. The company has grown significantly since emerging from the Stanford Transformation Program and shifting its long-term vision, nearly doubling its revenue last year.

Figure 1: Revenue percentage change

Methodology

We conducted a survey called the B Impact Assessment with Goodrich’s CEO to obtain a general assessment of the company’s operations and measure impact practices in the areas of governance, workers, community, the environment, and customers. This survey is designed by B Lab, a nonprofit that awards globally recognized certification for sustainable for-profit companies. Workers at Goodrich then completed an employment survey. Finally, we surveyed Goodrich and its key suppliers to understand job creation since beginning the Seed program. Data was analyzed to measure direct and indirect employment changes from 2017 to 2019. 2019 data was used to
estimate an employment multiplier, which captured the ratio of total direct and indirect jobs associated with Goodrich relative to each direct job at the company.

**Impact at a Glance**

We used guidance from the Impact Management Project’s “Impact of an enterprise template” framework¹ and the B Impact Assessment² to determine that Goodrich’s primary impact contribution is to decent work and economic growth — by supporting productive, decent employment throughout its value chain. This falls under UN SDG 8.

*Figure 2: Impact Management Project dimensions of impact (condensed)*

<table>
<thead>
<tr>
<th>Who experiences the outcome?</th>
<th>Suppliers</th>
<th>Workers</th>
<th>Community</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What outcomes occur?</strong></td>
<td>Job creation</td>
<td>Job creation and decent work</td>
<td>Worker Training</td>
</tr>
<tr>
<td><strong>How much scale of impact?</strong></td>
<td>153 jobs (55 jobs created ‘17-19)</td>
<td>230 Jobs (60 jobs created ‘17-19)</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>How much depth of impact?</strong></td>
<td>Deep</td>
<td>Deep</td>
<td>Marginal</td>
</tr>
</tbody>
</table>

*Figure 3: B Impact Assessment Summary*

<table>
<thead>
<tr>
<th>Summary</th>
<th>Benchmark</th>
<th>Goodrich Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>4.2</td>
<td>1.7</td>
</tr>
<tr>
<td>Workers</td>
<td>25.1</td>
<td>24.1</td>
</tr>
<tr>
<td>Community</td>
<td>13.9</td>
<td>11.4</td>
</tr>
<tr>
<td>Environment</td>
<td>8.3</td>
<td>15.2</td>
</tr>
<tr>
<td>Customers</td>
<td>2</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>B Impact Score</strong></td>
<td><strong>53.5</strong></td>
<td><strong>56.2</strong></td>
</tr>
</tbody>
</table>

² [https://bimpactassessment.net/](https://bimpactassessment.net/)
Goodrich’s B Assessment score was on par with companies of a similar size and industry/geography. The highest scoring category was workers.

**Direct and Indirect Employment**

Since Seed, direct jobs have increased 16% annually, and supplier jobs increased 25% annually.

![Figure 4: Direct jobs](image1)

![Figure 5: Direct and Indirect jobs](image2)

We estimate that in 2019, Goodrich supported 230 direct jobs and 153 indirect jobs – 383 jobs overall. With this data, we can also calculate an employment multiplier of 1.67 (direct jobs + indirect jobs / direct jobs); i.e., for every direct job at Goodrich, 1.67 total jobs are supported.

$$1.67 = \frac{230 + 153}{230}$$

Examining direct and indirect jobs from 2017 to 2019, we reach an estimate of **115 new jobs** supported by Goodrich.

![Figure 5: Direct and Indirect jobs](image3)

<table>
<thead>
<tr>
<th>Source</th>
<th>Jobs 2017</th>
<th>Jobs 2019</th>
<th>Change</th>
<th>Annual % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodrich</td>
<td>170</td>
<td>230</td>
<td>60</td>
<td>16.3%</td>
</tr>
<tr>
<td>Suppliers</td>
<td>98</td>
<td>153</td>
<td>55</td>
<td>24.95%</td>
</tr>
<tr>
<td>Total</td>
<td>268</td>
<td>383</td>
<td>115</td>
<td>19.55%</td>
</tr>
</tbody>
</table>
**Takeaway 1:** A smaller employment multiplier does not necessarily imply lower impact

The Goodrich multiplier of 1.67 is significantly lower than manufacturing industry multiplier averages, which typically range between 3 and 4.6. Goodrich distributes its products directly and assembles products from the ground up, which skews the ratio of jobs created in favor of direct jobs, but this multiplier is still lower than expected. Goodrich has had strong growth over the past two years — in sales, labor force, and factory expansion. Importantly, each of the suppliers we contacted also grew during this time period, with the overall supply chain experiencing 18% annual job growth. A reduced multiplier, then, may not imply limited indirect impact but rather a strong emphasis on direct employment.

**Takeaway 2:** Manufacturing jobs offer the opportunity to earn more than a living wage for individuals who would not otherwise have that opportunity

Across the board, Goodrich suppliers reported average wages for low skilled workers above the living wage rate of 210 Indian rupees per day, and at or above the manufacturing minimum wage of 240 Indian rupees per day (six suppliers reported average wages in a range between 240 and 443 rupees). Kumar reports that many of these manufacturing workers would otherwise be either unemployed or working agricultural jobs, which offer reduced, volatile pay, little security, and no benefits. With 58% of India’s population still reliant on agriculture as a primary source of livelihood, there is an opportunity for individuals who transition from agriculture to manufacturing to have a path out of extreme poverty.

**Takeaway 3:** Opportunities for substantial indirect job impact lie at “impact bargain” companies

Amongst Goodrich’s suppliers, we interviewed three companies that satisfied three criteria:

1. They are small (20 or fewer employees in 2019)
2. They receive a significant portion of their business from Goodrich (25% or more)
3. They represent a low percentage of Goodrich’s total spending costs (3% or less)

We argue that increasing business with these “impact bargain” companies has the potential to lead to strong indirect employment effects. Goodrich already indirectly supports several jobs at each of these companies, and these companies receive a significant fraction of their revenue from Goodrich, meaning that a substantial increase in business from Goodrich would likely lead to noteworthy growth. Critically, each of these companies also represents only a tiny fraction of Goodrich’s total spending. It stands to reason that Goodrich could shift some of its spending away from a much larger supplier to one of these companies, providing a large boost to the supplier, at little inconvenience to Goodrich. While the relationship between revenue growth and job growth is likely not exactly linear, this kind of large sustained sales boost for the supplier would likely have corresponding positive job creation effects in the long run.
Decent Work

Beyond raw job counts, we also aimed to develop an understanding of employment at Goodrich and assess its contributions to decent, meaningful, and sustainable work. In India, where job creation efforts often prioritize quantity over quality, there is a pressing need for "gainful employment" for India’s workforce of 460 million, according to a recent McKinsey Global Institute report.

In the B Impact Assessment, Goodrich performs well in areas of financial security and health and safety, and has an opportunity to better assist career development and promote engagement and satisfaction. Generally, though, Goodrich offers a strong combination of benefits and labor force commitment that exceeds its peers in India: healthcare benefits and disability coverage extended to families of employees, annual paid leave, and no gender gap in pay.

Employee Survey
We surveyed 15 direct office employees. The survey was distributed only to office workers due to language barriers with manufacturing workers. Overall, office employees reported being content in their jobs, with the mean response to each positive statement on the survey greater than three out of five. Goodrich’s direct commitment to maintaining a high standard of workplace culture may help explain such positive responses. “It’s not only about salary, it’s about culture.” Kumar explains.
Conclusion

Before participating in the Seed Transformation Program, Goodrich experienced relatively inconsistent growth in both revenue and employment. However, since beginning the program in 2017, Goodrich has seen consistent growth in both areas. Kumar reported that the Seed Transformation Program afforded a “fact-based” approach to planning, an emphasis on “team building and alignment,” and the challenge to “think bigger.” Additionally, he explained that Seed helped the company appreciate the value of facilitating employee engagement and promoting an environment of positivity. “The team alignment that happened was hugely important. It wasn’t just me going through the program, it was the whole team going through the program… the sense of belonging happened because of the workshops [conducted by Seed facilitators for management].”

More generally, our study of employment offers valuable insight into how a firm’s impact extends far beyond the confines of its office or factory. We demonstrate how midsized enterprises focused on growth can play a meaningful role is pulling up smaller companies by focusing on “impact bargains.” In the long run, shifting a portion of business toward smaller suppliers or distributors can lead to shared growth and mutual benefit for the industry. Moreover, we demonstrate that ensuring quality employment is not incompatible with a focus on growth maximization. In conclusion, this case reveals that a focus on direct impact alone is myopic. Firms that profess a commitment to job creation can expand their assessment to include their indirect jobs impact via their value chain.

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