



LIJJAT PAPAD: A CASE STUDY OF INCLUSIVE RESPONSIBLE LEADERSHIP

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Abstract

Shri Mahila Griha Udyog, the makers of the famous Shri Mahila Griha Udyog Lijjat Papad Papad, is an organisation, which symbolises the strength of a woman. Only women can become the members of the organisation. All members are also the owners of the organisation and are fondly referred to as 'sisters'. There is a central managing committee of 21 members to manage the affairs of the organisation. To aid the management, there are also Sanchalikas to look after the day-to-day affairs of the individual centers and also of that of the Udyog as a whole. The organisation functions on the basis of consensus and each member has 'veto' powers.

Keywords: Lijjat Papad, leadership, Inclusive Responsible Leadership

It all began on 15th march. 1959, A majority of the women inhabitants of an old residential building in Girgaum (a thickly populated area of South Bombay), were busy attending their usual domestic chores. A few of them, seven to be exact, gathered on the terrace of the building and started a small inconspicuous function. The function ended shortly, the result - production of 4 packets of Papads and a firm resolves to continue production. This pioneer batch of 7 ladies had set the ball rolling. As the days went by, the additions to this initial group of 7 was ever-increasing. The institution began to grow. The early days were not easy. The institution had its trials and tribulation. The faith and patience of the members were put to test on several occasions - they had no money and started on a borrowed sum of Rs. 80/-. Self-reliance was the policy and no monetary help was to be sought (not even voluntarily offered donations). So work started on commercial footing

The Success Formula

The vision and principles of *Sri Mahila Griha Udyog Lijjat Papad* (SMGULP) are based on the ideals of trusteeship. The basic principles underlying the philosophy of the organization are;

SMGULP is a voluntary organization.

SMGULP never accepts charity or grants.

SMGULP believes in running the business wisely.

SMGULP is like a family and the sisters run it as if they all belonged to the same family.

SMGULP is like a revered place of worship.

SMGULP is a combination of three concepts, the business concept, the family concept and the devotion concept.

Today, Lijjat is more than just a household name for 'papad' (India's most popular crispy bread). Started with a modest loan of Rs 80, these women took its turnover from Rs 6,196 in the first year to Rs 300 crore in the next few decades, involving over 40,000 women on its

revolutionary march. This story fanciful at any rate. But to say so would be undermining the contribution of a well thought-out Gandhian business strategy, equally well executed by his followers, late Chhaganlal Karamshi Parekh and Damodar Dattani, who worked tirelessly from behind the scene. Their vision was clear – an exclusive women's organisation run and managed by them, a quality product that these women had the expertise to make, and, finally, a work environment which is not competition-driven and mechanised but based on pure labour and love for the organisation and its people. Lijjat is today guided by separate divisions of advertising, marketing, sales promotion and exports. There is greater coordination between branch offices (different production and marketing units) and centralised marketing, advertising and exports departments. the cooperative now has annual sales exceeding Rs 301 crore (Rs 3.1 billion). What's more stunning than its stupendous success is its striking simplicity. With quality consciousness as the principle that guided production, Shri Mahila Griha Udyog Lijjat Papad grew to be the flourishing and successful organisation that it is today.

The model of Responsible Leadership

Every morning a group of women goes to the Lijjat branch to knead dough, which is then collected by other women who roll it into papads. When these women come in to collect the dough, they also give in the previous day's production, which is tested for quality. Yet another team packs the tested papads. Every member gets her share of *vanai* (rolling charge) every day for the work she does and this is possible only because the rest of the system is geared to support it.

Every branch is headed by a sanchalika (branch head) who is chosen from among the sister-members by consensus. Similarly, allotment of different works like dough-making, distribution of dough, weighing and collection of papad, packaging, etc. are all decided by the sister-members by consensus. The wage pattern is such that the same amount of work fetches almost the same wages. In any case, it is the collective responsibility of the sister-members to



manage all branch activities efficiently and profitably. Apart from production, the branch is also responsible for marketing its products in the area allotted to it.

Decentralization

All sister members of the institution are the owners. The committee of 21 members manages the affairs of the institution. There are also Sanchalikas, or supervisors, for each centre to look after the daily affairs of a centre. But the work of the institution is such that each and every member can take any initiative or any decision.

At the same time, each and every member has the veto power. All decisions, major or minor, are based on consensus among members. Any single member's objection can nullify a decision. To maintain the high quality and standard of Lijjat products and uniformity in taste for the same product from different branches, the central office supplies the raw material – mung and urad flour — to all its branches. This remains the only involvement of the central office in the entire production and marketing exercise of the branch office.

Distributing profits

There are accountants in every branch and every centre to maintain daily accounts. Profit (or loss, if any) is shared equally among all the members of that branch., irrespective of seniority or responsibility.

Delivering quality

Lijjat papad members proudly claim 'consistently good quality' to be their USP (Unique Selling Proposition). From the moment a new member joins, she is repeatedly told to make quality her mantra. At the training session, *sister members* are taught to make the 'perfect' Lijjat papad. Quality work is strictly expected from each member.

Shri Mahila Griha Udyog Lijjat Papad is synthesis of three different concepts, namely – The concept of business, The concept of family, and The concept of Devotion

All these concept are completely and uniformly followed in this institution. As a result of this synthesis, a peculiar Lijjat way of thinking has developed therein. The institution has adopted the concept of business from the very beginning. All its dealings are carried out on a sound, pragmatic and commercial footing - Production of quality goods and at reasonable prices. It has never and nor will it in the future, accept any charity, donation, gift or grant from any quarter. On the contrary, the member sisters donate collectively for good causes from time to time according to their capacity.

Besides the concept of business, the institution along with all it's member sisters have adopted the concept of mutual family affection, concern and trust. All affairs of the

institution are dealt in a manner similar to that of a family carrying out its own daily household chores. But the most important concept adopted by the institution is the concept of devotion. For the member sisters, employees and well wishers, the institution is never merely a place to earn one's livelihood - It is a place of worship to devote one's energy not for his or her own benefits but for the benefit of all. In this institution work is worship. The institution is open for everybody who has faith in its basis concepts.

Market Positioning

As a business enterprise, the declining sales figure for three consecutive years – Rs 298 crore (1999-2000), Rs 288 crore (2000-2001) and Rs 281 crore (2001-2002) – is a matter of concern for Lijjat management. Some of its home turf in Maharashtra and Gujarat has been captured by a growing competitive local market. But Lijjat has also expanded to the North – Delhi, Punjab, Himachal Pradesh and, with the latest branch in Jammu, to the Kashmir market as well.

Though each branch is responsible for the marketing of its products in the areas allotted to it, the new centralised marketing offices now procure surplus production from different branches and market it at an all-India level. This coupled with a healthy upward trend in the export of Lijjat papad positions Lijjat as the strongest brand in the papad industry. The other big brands in the papad market are Bikaner, MDH and Saktibhog, but none seem to be able to make any dent in Lijjat's share of the industry as their core business is not papad. Lijjat markets its products through a wide network of dealers and distributors all across the country, and has never chosen to sell or push its products directly through the vast network of its offices and sister-members even during the initial years. Rather, over the years, Lijjat has developed cordial and mutually beneficial relationships with its dealers. Sisters (employees) claim they believe in doing the business wisely and on sound business ethics. Dealers are given a set commission of seven per cent and retailers' earnings are fixed between Rs 25 and Rs 26 on the investment of Rs 14 for 200 grams and Rs 150 for 2.5 kilogram packs respectively.

Management: The management involves President – Jyoti J. Naik; Vice - President Smt.Kamal D.Dhandore; Treasurer. Smt.Sharda S.Landge; and Kum. Pratibha H. Trilotkar; Secretary Smt.Malti M. Pawar and Smt. Sunanda R.Belnekar

Diversifications:

Shri Mahila Griha Udyog has diversified its various activities. Besides it's world famous papads, it also currently has a Flour division at Vashi (Mumbai) where flour is milled from Udad Dal and Moong Dal, a Masala



Division at cotton Green(along with a Quality Control Laboratory) at the same place where different kinds of spice powders like Turmeric, Chillies, Coriander and ready mix masala and like Garam masala, Tea masala, Pav-Bhaji masala, Punjabi Chole Masala etc. are prepared and packed in consumer packs; Printing Division also at the same place; Lijjat Advertising Services at Girgaum (Mumbai); Khakra Division at Buhari (Dist-Valod). Export division at Wadala; Chapati divisions at Mumbai; Polypropylene set-up at Kashi-Mira Road; A Vadi producing factory at Valod; Bakery division at Valod; and Detergent Powder and Cakes manufacturing unit at Dahisar and office at Borivali (Bombay).

Marketing Activities

Products- Papads, Khakras, Masalas, Lijjat ATTA, Swadeshi ATTA, Detergents

Pricing

Shri Mahila Griha Udyog Lijjat Papad adopts a Cost Plus Pricing Strategy for all their products. The Lijjat products are targeted at the middle and lower segments of society. These segments are highly price sensitive and hence this method of pricing allows them to market their products extensively.

While calculating the price the expenses taken into consideration are Cost of Raw material, Rolling Charges, Packaging Costs, Transport, Selling Expenses, and Administrative expenses.

The manufacturing process for making papad starts at 5:00 a.m. everyday. All the sisters or 'bhaginis' are fetched from their homes at brought to their respective production centers in institutional vehicles. These sisters who arrive at 5:00 a.m. are responsible for kneading the papad dough. After 7:00 a.m. the rest of the sisters come in and dough is distributed to each one of them in 'dabbas'. These sisters take the flour to their respective houses, roll out papads and place them in the sun for drying. It is extremely essential that the papad once rolled gets a sufficient number of hours per day to dry in the sun and that is the reason that the entire process is initiated at 5:00 a.m.

Every morning when the sisters come to work, they bring with them the rolled out papad of the previous day. Only on giving this in do they receive dough for the next day. Most of the centers carry up to 15 days* inventory. The 'sanchalika' of each center ensures that there is no wastage or pilferage by counting the papads that are bought in each day.

From 8:00 to 9:00 a.m., the packing process takes place. The packing bags are manufactured by Lijjat itself, so as to maintain high standards and quality. This is also done

to prevent duplication of their product, which could occur if this process was outsourced. Quality of the product is of utmost importance. If a slight defect is identified in a day's production, then the entire production will be destroyed. To maintain standard and assured quality, the purchase of raw materials is carried out by a central authority. The main raw material, Udad dal, is bought and processed in Nashik and Vashi. This is then transported to the Mumbai Head Quarters and then channelised to various centers across the country as per their requirements.

Distribution

In Mumbai, Shri Mahila Griha Udyog Lijjat Papad has 18 branches. The daily production is collected at the 6 depots. From here the various products are distributed to the authorized Distributors who in turn deliver it to the retail outlets all over the city, such that every resident of Mumbai is a hop, skip and jump away from the nearest shop selling Apart from production, the branch is also responsible for marketing its products in the area allotted to it. The wide network of dealers and the goodwill that Lijjat products enjoy with customers make the marketing relatively easy. To maintain the high quality and standard of Lijjat products and uniformity in taste for the same product from different branches, the central office supplies the raw material – mung and urad flour — to all its branches. This remains the only involvement of the central office in the entire production and marketing exercise of the branch office.

The distributors pick up the quantity of papad they require and pay cash on delivery because Lijjat pays their bens (members are called bens, or sisters) every day. Since they have an estimate of the quantity each distributor takes, they produce accordingly. This ensures that they neither stock inventory nor pay heavily for storage.

They have about 32 distributors in Mumbai. Each distributor picks up an average of 100 boxes per day from the depot. This is where their job ends. They are not involved in how and where a distributor delivers as long as he stays within the area they have marked for him. Generally each distributor has his three-wheeler and about eight to ten salesmen to deliver to retail outlets within his territory. To select a distributor, they first give an advertisement in newspapers for the areas they have marked. Members from their marketing division personally go and check the godown facilities and only on their approval do they appoint distributors.

A distributor pays us Rs150000 as deposit. They make it clear to them that they must pay on delivery if they want their distributorship. This system is followed all over India



and it works well for them. When they discover that there is demand in a particular place, they open a new branch, like they recently opened one in Jammu and Kashmir. Whether or not they have a centre in an area, their goods reach there.

For example, they do not have any centre in Goa, but they have appointed a distributor for that area to ensure that Lijjat papads reach Goa. Their communication with distributors is regular through monthly meetings where they discuss their problems and also the issues that they may have about quality, price, reach, etc.

Lijjat's Ranchi branch was established in November 1997 bifurcating it from the only branch in Bihar at Muzaffarpur. It pays Rs 11,000 per month as rent for the building that houses its office and workshop. A "trekker" (thirteen-seater passenger vehicle) has also been purchased for the conveyance of sister-members from home to the Lijjat office and back. This branch has 165 sister-members and sold papad worth Rs 0.65 million in November 2002. Vanai charge is Rs 14 per kilogram of papad and each sister was paid Rs 250 as extra vanai charge on Dipawali. The Muzaffarpur branch, according to Lijjat sources, paid Rs 2,500 as extra vanai charge to its sister-members. Similarly, the Mumbai and Thane branch distributed gold coins of five grams to each of the 4,056 sister-members a couple of months ago. The branch averages around four rupees as gross profit and one rupee as net profit from per kilogram of papad.

"As an experiment, Lijjat has insulated its sister-members from joblessness. These women also work from their homes, where help from other family members not only adds up to the income but also makes the work more enjoyable. At the workplace they are self-respecting, hard-working and sisterly to one another. More importantly, besides the strength of womanhood, Lijjat is also an experiment in the restoration of the essence of womanhood. The Lijjat women offer an alternative to the highly competitive and stressful work environment defined and dominated by men in which a woman competes with a man more as a man than a woman," says an elderly Gandhian, TK Sumaiya, of Bombay Sarvodaya Mandal.

They do not have individual door-to-door salesmen or women selling from homes — only the appointed distributor for the area. The same system is followed for other products, but they may have different distributors and depots for different products. Shri Mahila Griha Udyog Lijjat Papad has a policy of not allowing any sales to be made on credit terms. All sales are made on cash-at-delivery or advance payment basis.

A close check is kept on the distributors to make sure that the products reach every nook and corner of the cities. They make sure that every retailer, no matter what size, stocks their brand of products if they are stocking any other brands of the same product.

Promotions

At Shri Mahila Griha Udyog Lijjat Papad, they believe that the best promotion they could possibly receive is by word of mouth. Therefore they concentrate more on cost effectiveness and quality rather than on more expensive modes of promotion like advertisements. Therefore their annual expense on advertisements and promotions amounts to Rs. 60 Lakhs, a mere 0.2% of total turnover. The extremely famous 'Bunny rabbit' campaign continues to be aired on specific regional channels. For e.g. Alpha Gujarati, Alpha Bengali, Sun etc. They also advertise in English and regional newspapers. The distributors also need to be motivated properly, so that they in turn make a greater effort to sell large volumes of the products to the retailers. Targets are set quarterly for the distributors. Should they exceed this target, the distributor will receive a further 1% discount.

Exports

Their exports alone account for Rs 10 crore (Rs 100 million). Shri Mahila Griha Udyog Lijjat Papad started exporting in 1980. At that time they, directly exported the products themselves. However, this endeavor was short-lived and they stopped direct export in 1982. Today they export through Merchant Exporters, as they do not have the required skilled manpower. All export sales are made on advance payment basis. The merchant exporters provide the cartons with the delivery addresses printed on them. The papads are packed in these and returned to the merchant exporters. When the papads are exported to countries where languages other than English are used, then inserts are added in the packets with all the details given in that local language.

They export to United Kingdom, United States of America, Middle East, Thailand, and Other European Countries

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