

The revival of low-tech traditional institutes of India

A dynamic capability approach

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The President:

Prof. Dr. Thomas Bieger

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List of Abbreviation

ADB	Asian Development Bank
AISA	All India Spinners Association
AKVIB	All India Khadi & Village Industry Board
AWFT	Artisan Welfare Fund Trust
CSA	Competitive Strategic Approach
DCs	Dynamic Capabilities
EPCKIA	Enhancing Productivity and Competitiveness of Khadi Industry and Artisans
FKRE	First Khadi Revival Era
GE	Gandhian Era
ISCE	Interest Subsidy Eligibility Certificate
IT	Information Technology
JBY	Janashree Beema Yojana
KIs	Khadi Institutes
KRDP	Khadi Reform and Development Programme
KVIC	Khadi and Village Industries Commission
LTTIs	Low tech traditional institutes
LTTKIs	Low tech traditional khadi institutes
LTTKINs	Low tech traditional khadi industry
MDA	Market Development Assistance
MGIRI	Mahatma Gandhi Institute for Rural Industrialization
MSME	Ministry of Micro, Small, and Medium Enterprises
NGO	Non-Governmental Organization
NIFT	National Institute of Fashion Technology
PGE	Pre-Gandhian Era
POGE	Post Gandhian Era
PRODIP	Product Development, Design Intervention and Packaging
R&D	Research and Development
RBV	Resource Based View
SCA	Strategic Conflict Approach
SKRE	Second Khadi Revival Era
SFURTI	Scheme of fund for regeneration of traditional industries

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Summary

Khadi is a hand-spun and hand-woven, skin-friendly cloth.

The khadi industry is a low-technology traditional industry in India. It plays a significant role in the economic life of rural India and provides direct employment to a large population in rural India. Khadi as a product has some unique advantages. It is highly skin-friendly and today it is also positioned in the global market as a fashion product. Khadi industry is massive, it consists of hundreds of khadi institutes which are spread across the country. The focus of this thesis is on the low-tech traditional khadi institutes.

The khadi industry has been in existence in India for a long period and played a significant role in the freedom struggle of India. It has gone through many economic cycles. During the freedom struggle of India, the khadi industry prospered and continued to grow for a few decades even after Independence. However, in the late 1960s, the khadi industry started experiencing severe competition from cloth produced by the power loom industry and the clothes produced in mills. The mill-produced cloth and cloth products, being cheaper, became popular amongst the urban and rural population. This led to an increase in supply and decrease in demand for khadi products. Many khadi institutes were even closed during this period, and many artisans were left unemployed. However, in recent years, the khadi industry has again acquired prominence and has shown signs of growth.

The growth of a low-tech traditional khadi industry and revival of the institutes became an interesting and important research topic for the author. The author has grown up in India and is familiar with the importance of the khadi industry for the Indian economy and particularly for rural India. She had also noticed the growth of the khadi industry in the recent past. As a researcher, she became interested in understanding the factors that have contributed to the successful revival of low-tech traditional institutes.

Concepts of innovation and dynamic capabilities have evolved in the context of modern high-technology industry located generally in developed countries. The researchers in the western world have used these constructs extensively to explain the growth of many high-technology industries in the developed world. A few papers have been published which have examined the relevance of dynamic capabilities in the low-technology industries. The researcher became interested in exploring whether the low-tech traditional khadi institutes in India had experienced innovation and dynamic capabilities and whether these constructs can explain the growth trends in the khadi industry in India. The questions in their preliminary stages were surrounded by doubts. After an intensive process of desk and field research, it looked like an interesting question to be explored.

Since the khadi industry is vast, it was decided to limit the study to a few institutes which were part of the khadi industry and were considered to be effective. Accordingly, after an extensive literature survey and preliminary field visit, the researcher decided to conduct an exploratory qualitative study of five low tech traditional khadi institutes which were named by the Departments of Government of India as highly successful institutes in their region. This study examines five successful khadi institutes located in five different states (Rajasthan, Gujarat, Maharashtra, Uttar Pradesh, and Haryana). Qualitative data has been retrieved from 170 interviewees and discussants.

The author conducted a field study between 2012 and 2014 in three phases¹.

The first two phases laid a foundation for the main intensive fieldwork in the third phase. During this time, the author focused on gaining a clear understanding of the overview of the khadi industry and status of khadi institutes. To achieve this goal a systematic study was conducted in different offices of khadi industry, including Ministry of small and medium enterprises (MSME), Khadi and Village Industry Commission (KVIC), Khadi and Village Industry Board (KVIB) and khadi institute offices. The author extensively interviewed managers and employees associated with the five selected institutes. Also, she spoke to other stakeholders, such as government officials, suppliers, and customers. She visited the manufacturing facilities and marketing offices of these five institutes. She studied the secondary information available about these organizations. Her interviews were guided by the literature about innovations through dynamic capabilities. Based on primary and secondary data, five case studies are developed. These case studies were content-analysed, and some interesting findings emerged.

This study presents three main findings. Firstly, the study indicates that the core elements have strongly influenced the dynamic capabilities of khadi institutes during the revival phase (from 1980 onwards). It was also found that some of the core elements which are influential in high-tech industry firms are not significant for low-tech traditional institutes.

Secondly, in this study, the complex process of the evolution of dynamic capabilities of sensing, seizing, and reconfiguration in low tech traditional institutes during the revival phase has emerged. This process could be used as a guideline to strengthen similar weak institutes. The finding also indicates that the processes adopted in the low-tech institutes to strengthen their capabilities might look similar to those in high-tech institutes, but their implementation is quite different.

The findings in this study are specific to the revival of low-tech traditional khadi institutes in India. However, the findings from the study should encourage researchers to explore the emergence of dynamic capabilities in other low-tech traditional industries located in other developing countries. Thirdly, the findings indicate that innovation played a most important role in the revival of low-tech traditional institutes. Right from the thought of revival until its implementation, innovation has been completely integrated into every step.

¹ From 2015-2019 the author received regular updates about the progress made in the institutes. It must be noted, that in low -tech traditional institutes organisational changes take place at a comparatively slow pace (in context of this research study).

Zusammenfassung

Khadi ist eine aus handgesponnen Materialien bestehende handgewebte und hautfreundliche Kleidung. Die Khadi-Industrie aus Indien ist ein Gewerbe, das auf anspruchsloser Technik gründet. Sie spielt eine wichtige Rolle im Wirtschaftsleben des ländlichen Indien und bietet einer großen Bevölkerung eine direkte Beschäftigung. Khadi hat als Produkt einige einzigartige Merkmale und Vorteile. Es ist sehr hautfreundlich und wird heute auch weltweit als Modeprodukt angeboten. Die Khadi-Industrie ist riesig und besteht aus Hunderten von Khadi-Institutionen, die über das ganze Land verteilt sind. Der Schwerpunkt dieser Arbeit liegt auf diesen traditionellen Low-Tech Khadi Institutionen.

Die Khadi-Industrie existiert in Indien seit langer Zeit und spielte auch eine bedeutende Rolle im Freiheitskampf Indiens. Sie hat schon einige Konjunkturzyklen durchlaufen. Während des Freiheitskampfes Indiens gedieh die Khadi-Industrie und wuchs auch nach der Unabhängigkeit noch einige Jahrzehnte weiter. In den späten 1960er Jahren musste sich die Khadi-Industrie jedoch starker Konkurrenz aussetzen durch Gewerbe, das mit Stoffen handelte, die maschinell gewoben wurden, und Kleidung, die in Mühlen hergestellt wurde. Die in den Mühlen hergestellten Stoffe und Stoffprodukte waren billiger und deshalb sowohl bei der städtischen als auch der ländlichen Bevölkerung beliebt. Dies führte zu einer Zunahme dieses Angebots und zu einer Abnahme der Nachfrage nach Khadi-Produkten. Viele Khadi-Institutionen wurden in dieser Zeit sogar geschlossen, und viele Handwerker verloren ihre Arbeit. In den vergangenen Jahren hat die Khadi-Industrie jedoch wieder an Bedeutung gewonnen und Anzeichen für einen Wachstum gezeigt.

Für die Verfasserin sind das Wachstum der traditionellen Low-Tech-Khadi-Industrie und die Wiederbelebung der Khadi-Institutionen ein interessantes und wichtiges Forschungsthema geworden. Die Verfasserin ist in Indien aufgewachsen und kennt die Bedeutung der Khadi-Industrie für die indische Wirtschaft und insbesondere für das ländliche Indien aus erster Hand. Sie hat auch das Wachstum der Khadi-Industrie in der jüngeren Vergangenheit beobachtet. Als Forscherin interessiert sie sich dafür, zu verstehen, welche Faktoren dazu führten, dass die Institutionen mit ihrer anspruchslosen Technik, wiederbelebt wurden.

Innovationskonzepte und die Fähigkeit, dynamisch zu sein, wurden im Kontext der modernen Industrie der Spitzentechnik weiterentwickelt, was man sonst nur in Industrieländern beobachten kann. Forscher haben ausgiebig Konstrukte benutzt, um das Wachstum vieler Industrien der Spitzentechnik in Industrieländern zu erklären. Es gab einige Veröffentlichungen, in denen die Relevanz von Industrien, die auf anspruchsloser Technik gründen, die Fähigkeit haben, dynamisch zu sein, untersucht wurde.

Die Forscher interessierten sich, ob die traditionellen Low-Tech Khadi Institutionen in Indien Innovationen und Dynamik erfahren hatten und ob diese Konstrukte die Wachstumstrends in der Khadi-Industrie in Indien erklären können. Zu Beginn wurden erste Fragen von Zweifeln begleitet. Nach einem intensiven Prozess der Schreibtisch- und Feldforschung bildeten die Fragen eine interessante Grundlage zur zu einer Forschung, die weitere Untersuchungen machen musste.

Da die Khadi-Industrie sehr umfassend ist, wurde beschlossen, die Studie auf einige Institutionen zu beschränken, die als besonders erfolgreich angesehen wurden. Dementsprechend beschloss die Forscherin nach einer umfassenden Literaturrecherche und einem grundlegenden Feldbesuch, eine qualitative Forschungsstudie von fünf traditionellen Khadi-Institutionen, die auf anspruchsloser Technik gründen, durchzuführen, die von den entsprechenden indischen Regierungsdepartementen als äußerst erfolgreiche Institutionen in ihrer Region betrachtet werden. Diese Studie untersucht fünf erfolgreiche Khadi-Institutionen in fünf verschiedenen indischen Bundesstaaten (Rajasthan, Gujarat, Maharashtra, Uttar Pradesh und Haryana). Entsprechende inhaltsbezogenen Daten wurden über 170 Befragte und Diskussionsteilnehmer gesammelt.

Die Autorin führte ihre Feldstudien zwischen 2012 und 2014 in drei Phasen durch². Die ersten beiden Phasen legten den Grundstein für die intensive Hauptfeldarbeit in der dritten Phase. Während dieser Zeit konzentrierte sich die Autorin darauf, ein klares Verständnis, einen Überblick der Khadi-Industrie sowie den Status der Khadi-Institutionen zu erlangen. Um dieses Ziel zu erreichen, wurde eine systematische Studie in verschiedenen Abteilungen der Khadi-Industrie durchgeführt, darunter im Ministerium für kleine und mittlere Unternehmen (MSME, Ministry of small and medium enterprises), im Khadi- und Dorfindustrie-Ausschuss (KVIC, Khadi and Village Industry Commission), in der Kammer für Khadi- und Dorfindustrie (KVIB, Khadi and Village Industry Board) und in den Büros der verschiedenen Khadi-Institutionen. Die Autorin befragte ausführlich Manager und Mitarbeiter der fünf ausgewählten Institutionen. Sie sprach auch mit anderen Interessengruppen wie Regierungsbeamten, Lieferanten und Kunden. Sie besuchte die Produktionsstätten und Marketingbüros dieser fünf Institutionen. Sie studierte die Informationen aus sekundären Quellen, die über diese Organisationen verfügbar waren. Ihre Interviews fußten auf der Grundlage der Literatur über Innovationen durch dynamische Fähigkeiten. Basierend auf Primär- und Sekundärdaten sind fünf Fallstudien entwickelt worden. Diese Fallstudien wurden inhaltlich analysiert, und es ergaben sich einige interessante Ergebnisse.

Diese Studie präsentiert drei Hauptergebnisse. Erstens zeigt die Studie, dass die Kernelemente die dynamischen Fähigkeiten von Khadi-Institutionen während der Wiederbelebungsphase (ab 1980)

²Von 2015–2019 erhielt die Autorin regelmäßige Aktualisierungen über die Fortschritte in den Institutionen. Es ist zu beachten, dass in traditionellen Low-Tech-Institutionen organisatorische Veränderungen vergleichsweise langsam stattfinden (im Rahmen dieser Forschungsstudie).

stark beeinflusst haben. Es wurde auch festgestellt, dass einige der Kernelemente, die Einfluss auf Unternehmen der Industrie der Spitzentechnik haben, für traditionelle Low-Tech Institutionen nicht von Bedeutung sind. Zweitens hat sich in dieser Studie der komplexe Vorgang der Entwicklung dynamischer Fähigkeiten zum Erfassen, Begreifen und der Umgestaltung in traditionellen Low-Tech-Institutionen während der Wiederbelebungsphase beschrieben. Dieser Vorgang könnte als Leitfaden zur Stärkung ähnlich schwacher Institutionen dienen. Das Ergebnis zeigt auch, dass die Vorgänge, die im Low-Tech-Gewerbe zur Stärkung ihrer Fähigkeiten angewendet werden, denen im High-Tech-Gewerbe ähnlich sein können, ihre Implementierung sich jedoch grundlegend unterscheidet. Die Ergebnisse dieser Studie sind beziehen sich spezifisch auf die Wiederbelebung des traditionellen Low-Tech Khadi-Gewerbes in Indien. Die Ergebnisse dieser Studie sollen Forscher jedoch ermutigen, die Entstehung dynamischer Fähigkeiten in anderen traditionellen Low-Tech-Industrien in anderen Entwicklungsländern zu untersuchen. Drittens zeigen die Ergebnisse, dass Innovation eine wichtige Rolle bei der Wiederbelebung traditioneller Low-Tech Institutionen spielte. Vom Gedanken an eine Wiederbelebung bis zu ihrer Umsetzung wurde Innovation vollständig in jeden Schritt integriert.

“Khadi is not only a cloth, it’s a thought,” - Mahatma Gandhi

1. Introduction

In present times, the market environment is highly competitive, volatile, and innovative. To survive and gain a competitive advantage in such market conditions, firms find it essential to revive their internal capabilities and competences regularly (Teece et al., 1997). Empirical studies have shown that innovation has played a significant role in this revival process (Karagouni & Protogerou, 2013). The main aim of this thesis is to develop an understanding of the revival process in a low-tech traditional industry. The focus will be on low-tech traditional institutes.

Dynamic capabilities (DCs) literature has addressed this issue. It focuses on the ability of a firm to renew its capabilities (Tripas, 1997). It is considered both a potential approach for future strategic management research and beneficial to companies for gaining competitive advantage in dynamic markets (Teece, 2009; Fühl, 2006; Jekel, 2009). One of its significant qualities is its ability to integrate areas such as product and process development, research and development, intellectual property, human resources, and organizational learning. These areas have always been considered outside the traditional perspective of strategic management (Teece, et al, 1997; Teece, 2009).

To make this revival process efficient and simpler for firms, social scientists have introduced several frameworks and models using the DCs approach. But it is impracticable to find a solution that could be applicable to all the firms globally because, in recent years, the number of industries has increased worldwide. They have also become more diverse. They differ greatly in their infrastructure, availability of resources, cultural, political, financial, and geographical conditions, size, nature of work, and motivation. For example, the revival strategies applied by high-tech firms located in a developed country will be completely different from those which are applied by low-tech firms located in a developing country. Thus, research must be done within specific firm contexts.

In the literature, the DCs approach is mainly applied to high-tech modern industries located in developed countries. The analysis and findings from these industries cannot be fully applied in low-tech traditional industries (LTTIs). Thus, there is an increasing requirement for more empirical work in the low-tech traditional industries, particularly in developing countries. In spite of many suggestions from theorists and researchers, limited empirical research work has been done in this direction.

One of the main reasons for this is that low-tech industries are considered old and uncompetitive (Karagouni & Protogerou, 2013). Another reason is that many low-tech traditional industries have been reluctant to innovate, for a variety of reasons. These include the limited availability of resources and the rigid mindsets of decision-makers towards changes.

During the 1980s and 1990s, strong competitive firms emerged with high-quality products supported by high technology. This change in the market competition had a strong effect on traditional low-tech industries, so much that their very existence was at risk. Earlier, the mainstream variables of competitive advantage had been efficiency, quality, customer responsiveness, and speed. But in the new millennium, an additional variable, innovation, became significant (Lawson & Samson, 2001). Innovation is considered the most important factor in DCs theory. It is known for its strong influence on firm performance (Verona and Ravasi, 2003). However, ‘an explicit examination of innovation is usually omitted in the discussion of dynamic capabilities’ (Lawson & Samson, 2001, p. 380). Since this aspect of innovation in DCs has not been thoroughly explored, ambiguities in the literature have increased (Tripas, 1997). Additionally, the existing empirical research on innovation has also mainly examined high-tech industries located in developed countries. Therefore, another aim of this study is to gain a deeper understanding of the influence of innovation on DCs during the revival of low-tech traditional industries in developing countries. The low-tech traditional industry analysed in this dissertation is the khadi industry of India. The history³ of this industry can be divided into four parts: the Pre-Gandhian Era (PGE), the Gandhian Era (GE), the Post-Gandhian Era (POGE), and the Second Khadi Revival Era (SKRE). This thesis focuses on the currently ongoing revival phase, the Second Khadi Revival Era (1981 onwards).

The field of low-tech traditional industries is very broad. The focus of this thesis is narrowed to one particular section of this industry, the khadi institutes (KIs)⁴. In the last few years, several KIs have faced strong challenges to survive. For example, the State of Rajasthan has around 200 khadi institutes, but only seven or eight institutes are considered to be in the A+⁵ (excellent) category. It is an alarming situation because barely 10 per cent of the institutes are categorized as excellent performers.

³ These four phases are introduced in Chapter 3 and Chapter 4.

⁴ The position of the traditional institutes in the low-tech traditional khadi industry will be explained in Chapter 3 and Chapter 4.

⁵ The Khadi and Village Industries Commission (KVIC) adopted a system called categorization to grade the khadi institutes based on their performance. Its main objective was the effective implementation of the khadi programmes, efficient monitoring, and identification of the institutes eligible for the implementation of khadi programmes. In this system, khadi programmes are given scores based on performance. These are, A+ (excellent; 75% & above); A (Good; 60%-75%); B (Satisfactory; 40%-60%); C (Average; 30%-40%) and D (Needs improvement; Less than 30%) (KVIC, 2016). The categorization method is briefly described in Chapter 5 (methodology).

Institutes in the excellent category are considered the best performers based on their scores in a categorization system applied in the khadi industry in India. Therefore, efforts are being made by several government and non-governmental organizations in India, and external organizations such as the Asian Development Bank (ADB), to revive these institutes. It has been observed that one of the most significant elements that have contributed to the success of these institutes is innovation. During the Second Khadi Revival Era (SKRE), several innovations have been introduced in marketing and sales techniques, designs, products, processes, and knowledge sources in the low-tech traditional khadi institutes. The thesis focuses on understanding how the khadi institutes in the A+ category have revived during this revival phase and have also maintained their high-performance levels. The findings of the study are thus likely to be highly relevant for the weaker institutes to enhance their performance.

1.1 Research field


Low-tech traditional khadi industry of India

Hand-spun and hand-woven fabric, known as khadi, is produced by one of the largest low-tech traditional industries in India. Spread throughout the entire nation, khadi and village industries in India provide employment to 10.1 million people, particularly in rural areas. Khadi programmes are implemented across the entire nation, covering all the 29 states and 7 union territories (MSME, 2016). About 5600 institutes are registered with the Khadi and Village Industries Commission (KVIC), of which 2230 are registered as khadi institutes selling hand-spun and hand-woven products through their 7050 outlets (MSME, 2016). Khadi has had deep roots in Indian history and culture for many generations. It is considered as one of the strongest links between rural India and urban India.

History of the khadi industry

The khadi industry has passed through several stages of growth and stagnation. Its history is divided into four main phases. (1) During the Pre-Gandhian Era (PGE), the khadi business moved from growth towards stagnation. The khadi industry was on the verge of extinction by the end of this phase because of the challenges it faced under foreign rule. (2) During the Gandhian Era (GE), the first revival of the khadi industry took place. It is considered as the golden era of the khadi industry. During this phase, the curve moved from stagnation to growth. This era saw a rapid expansion of the khadi industry. (3) During the Post-Gandhian Era (POGE), after the independence of India, the khadi industry again faced several challenges. The industry again moved from growth towards stagnation.

(4) In the current phase, the Second Khadi Revival Era (SKRE), the khadi industry is passing through a second revival phase. The Government of India is contributing strongly to this revival work. Additionally, many other organizations from diverse backgrounds, such as the fashion industry, media, NGOs, universities and research centres, and many influential individuals, such as Prime Minister Narendra Modi, are also making significant contributions to revive khadi industry. This thesis focuses on the revival phase, the second khadi revival era.

Exhibit 1: Business History of low-tech traditional Khadi Industry			
	Phase 1	Pre-Gandhian Era	Before 1914
First Revival Phase	Phase 2	Gandhian Era First Khadi Revival Era	1915 - 1947
	Phase 3	Post-Gandhian Era	1948 - 1980
Dissertation Focus is on Second Revival Phase 	Phase 4	Second Khadi Revival Era	1981 onwards (to date)
Summary			
Phase 1	Pre-Gandhian Era (PGE)	During this phase, the khadi industry did not have an official structure. Artisans were scattered around India. They were earning well and were well established. The business was successful.	
Phase 2 FIRST REVIVAL PHASE	Gandhian Era (GE)	During foreign rule in India, the first revival of khadi industry business took place under the influential leadership of Mahatma Gandhi. The khadi industry expanded massively, systematic centralization of the industry took place, it was given a proper structure, and khadi institutes were formed and increased rapidly. Artisans scattered all over India were brought together under the common umbrella of this industry. The first revival was a massive success.	
Phase 3	Post-Gandhian Era (POGE)	In this phase, the khadi industry structure became official and received huge support from the Government of India. In the beginning, the khadi industry progressed for a while, and several policies were pursued in its favour. However, with passing time the khadi business started declining, khadi institutes started going bankrupt, stocks accumulated, and sales decreased in several khadi institutes. The industry suffered huge losses. It reached a very critical situation when faced with competition from the high-tech industries in the market.	
Phase 4 Dissertation Focus SECOND REVIVAL PHASE	Second Khadi Revival Era (SKRE)	The khadi industry is currently passing through the second revival phase. Khadi is considered heritage in India, having not only value as a product but it also has historical threads connected to it, as it was considered as the main symbol of independence. Therefore, several other groups came together to support the revival process: The Government of India, khadi industry offices, khadi institutes, politicians, businessmen, media, fashion industry employees, researchers, youth, and even the common people. During this process, the khadi industry revived. In this thesis, the focus is on five successful institutes which not only revived but are now highly successful and competing with other firms.	

Source: Author (Based on the literature of the khadi industry and field study)

Note: Each phase is described in Chapter 3 (PGE, GE & POGE) and Chapter 4 (SKRE).

Challenges to the low-tech traditional khadi industry of India

The khadi industry is considered an important industry with deep roots in Indian history. However, it has faced huge challenges while competing in a volatile market. For example, during the Pre-Gandhian Era (before 1914), the khadi business faced several adversities. These included decreasing sales, lack of demand for khadi products, shortage of working capital, management problems, artisans and employees' dissatisfaction with low wages. In the Post-Gandhian Era, a decline in the production of khadi and an accumulation of unsold stock was observed. This problem was also highlighted in the five-year plans⁶. All these challenges pushed the industry to a stage where many of its institutes started shutting down or struggled to survive (Rohini, 2009). There were many reasons for these events. For instance, during the 1960s and 1970s, strong competitive firms entered the Indian market. These firms had high-quality products supported by high technology. Additionally, they were strongly influenced by innovation. During this time, the business of low-tech traditional industries, including the khadi industry, was strongly affected. This happened because the market environment was changing, but the traditional industry failed to adapt to this change. It did not make enough efforts to revive its capabilities at the right time. Consequently, it suffered losses, so much that its very existence was at risk. Therefore, a need emerged to revive the khadi institutes (Rohini, 2009).

The revival of a low-tech traditional industry

The khadi industry is currently undergoing a revival phase. It is in a process of transformation from a symbol of independence to a symbol of modern fashion and integration of rural India to urban India by providing gainful employment in rural India. It is also making an additional effort to keep all its old values intact. These changes have been taking place for the last 20 years. The transformation has revived a languishing low-tech traditional industry and has brought it back to competing successfully in volatile national and international markets. Innovation has played an important role in its revival. The image of khadi, which was linked with the freedom struggle, is now on its way towards becoming a fashion brand. The Khadi and Village Industries Commission (KVIC)⁷ has been instrumental in the process. A new approach has been applied through which substantial efforts are made to revitalize this traditional sector. The focus is also on increasing employment in rural areas (The Tenth FYP, 2002–07)⁸.

⁶ The five-year plans (FYPs) of India are considered important in the Indian planning process of economic development by the Government of India. The first FYP came into existence in 1951, after the independence of India under the supervision of the Prime Minister Jawahar Lal Nehru. Since then, the plans have been applied consistently. An outline of various five-year plans may be referred to in the table at this link http://mospi.nic.in/sites/default/files/Statistical_year_book_india_chapters/Five%20Year%20Plan%20writeup_0.pdf

⁷ The Khadi and Village Industries Commission (KVIC) is an apex organization which comes under the Ministry of Micro, Small and Medium Enterprises. Its objective is to plan, promote, facilitate, organize, and assist in the establishment and development of Khadi institutes. It was formed by the Govt. Of India, under the Act of 1956 (Source- KVIC official website - <http://www.kvic.org.in/>).

⁸ Five-year plan – Govt. of India (<http://planningcommission.gov.in/plans/planrel/index.php?state=planbody.htm>)

Many other changes are taking place in the khadi industry: sales are increasing, demand is increasing, modern outlets are being developed, revival programmes are being funded, and national and international organizations are actively participating in the revival process; several governmental and non-governmental resources and schemes have together been applied in a collective effort to make khadi a fashion brand. This effort is being made all over the country. Khadi as a product is now seen from a different perspective by the Indian textile market. These changes have resulted in helping the khadi business to expand. Innovation has played a significant role in its revival. For example, in April 2018 the Fashion Design Council of India organized an event titled Khadi – Transcending Boundaries. In this fashion show, designers Rohit Bal, Anju Modi, Payal Jain, and Poonam Bhagat showcased the innovative modern twists they have given to khadi fabric⁹. Similarly, the Akhil Bhartiya Vidhyarti Parishad and Delhi University Students' Association organized a *khadi sangam* program at Talkatora stadium on 25-26 April 2018. This was a fashion show on a grand scale, in which khadi products with new designs, colours, and style were reintroduced to the masses. Several contests were also organized during this event to promote khadi. Khadi is becoming popular in foreign countries as an environmentally friendly fabric. This quality of khadi is recognised by the United Nations. In May 2016, during the Prime Minister's mission to promote yoga as an international event, the KVIC launched a khadi yoga kit.

According to the KVIC chairman Vinay Kumar Saxena, 'We did a business of nearly 76 lakhs¹⁰ rupees in less than one month's time. Previously in 2017, KVIC yoga kits truly became international when we got the orders from Indian Council of cultural relations to supply as many as 21,000 yoga kits worth Rs. 2.63 crore¹¹'. Thus, a substantial revival is currently taking place in this low-tech traditional industry. The media daily publishes items about the efforts made in this direction by various organizations, and several research reports have also been published. However, a systematic study of how this revival has taken place in khadi institutes and the role played by innovation in its successful revival is lacking. A clear overview of this ongoing change has not been published, and the elements which have made it possible have not been thoroughly researched. Thus, the present study in the low-tech traditional khadi industry is highly relevant.

⁹ Extract from the newspaper – the pioneer, dated 26 April 2018.

¹⁰ Lakh – In the Indian numbering system, 1 lakh equals one hundred thousand (1 lakh = 100,000)

¹¹ Extract from the online news website - apherad.com, dated 13 March 2018.

1.2 Research objectives and relevance

The aim of this thesis is to shed light on the successful revival of the low-tech traditional institutes. The thesis examines the revival of khadi institutes in India. It aims to achieve three main objectives. Firstly, it contributes in identifying the core elements that have significantly influenced the dynamic capabilities of low-tech traditional khadi institutes in the current revival phase. Secondly, it sheds light on the identification and evolution of the dynamic capabilities of khadi institutes in this revival phase. Thirdly, it increases understanding of the role of innovation and its contribution to the successful revival of low-tech traditional institutes.

This thesis presents several aspects of theoretical relevance. Firstly, the research will contribute to the dynamic capabilities literature, particularly on low-tech traditional industries. Secondly, it will contribute to understanding the role of innovation in low-tech traditional institutes. The thesis also provides recommendations relevant to the growth of the khadi industry. Firstly, the findings of this study will be highly relevant for low-tech traditional khadi institutes in India. Secondly, this study can be used as a reference or guide for other low-tech traditional institutes that are aspiring to revive themselves by strengthening their internal capabilities. This research work is largely exploratory in nature. It provides some valuable first insights on this topic and identifies promising avenues for future research.

1.3. Research Questions

A classic research question of strategic management literature is how firms gain a competitive advantage. Social scientists have contributed several empirical studies for answering this question. Following the same direction, this study attempts to answer the following broad research question.

How do successful low-tech traditional khadi institutes gain a competitive advantage during the second revival phase of the khadi industry? For analytical purposes, this research question is divided into three more specific questions.

1. How do core elements influence the dynamic capabilities of low-tech traditional institutes during the revival phase?

This study investigates some core elements which elsewhere have been shown to strongly influence dynamic capabilities, particularly during their formation. The analysis identifies core elements which have significantly influenced the dynamic capabilities of low-tech traditional institutes in the current revival phase. Seven core elements (Lawson & Samson, 2001) were investigated: (1) leadership, (2) vision and strategy, (3) harnessing the competence base, (4) organizational intelligence, (5) structure and systems, (6) culture and climate, and (7) management of technology. Each core element is discussed in the literature review.

2. How do the dynamic capabilities of successful low-tech traditional institutes evolve during a revival phase?

This study seeks to understand how dynamic capabilities have evolved during the revival phase. These are the capabilities that enable successful low-tech traditional institutes to revive and consequently survive and compete in the volatile market. The analysis examines three main dynamic capabilities advanced by Teece: (1) sensing capability, (2) seizing capability, and (3) reconfiguring capability (Teece, et al, 1994; Teece, Pisano, and Shuen, 1997). Each dynamic capability is discussed in the literature review.

3. How has innovation influenced the revival of low-tech traditional institutes?

This question is answered by a systematic review of the literature on innovation and an analysis of qualitative data collected from five case studies. The qualitative case studies focus on five low-tech traditional institutes of India. For each case, two more institutes located in the same state were also briefly surveyed to validate the findings.

1.4. Research Methodology

This study is mainly exploratory in nature. Consequently, a qualitative multiple case study approach (Yin, 2009) has been adopted. The approach follows six steps¹² (Eisenhardt, 1989).

Step 1- Getting started: This section explains how the initial thoughts about this research field motivated the author and which events triggered further investigation; how the simple thoughts of the researcher were influenced by observations, field trips, reading news articles were transformed into serious research work.

Step 2 - Selecting cases: Cases were selected using the categorization¹³ method. This is an official method generally applied by the Khadi and Village Industry Commission (KVIC). After passing through six main stages of selection, five A+ ¹⁴ khadi institutes were selected for this study.

Step 3 - Crafting instruments and protocols: The main method applied in this study is the case study method. Qualitative data were collected using both primary and secondary data collection methods (Mason, 2002; Lapan & Quartaroli, 2009). This study includes case studies of five low-tech traditional institutes.

Step 4 - Entering the field: Between 2012 and 2014, a field study was conducted in three phases in India. The first field study was conducted in 2012 in the state of Madhya Pradesh, the second was conducted in 2013 in the state of Rajasthan, and the final, intensive field study was conducted in 2014 in five states of India where the selected khadi institutes were located: Rajasthan, Gujarat, Maharashtra, Uttar Pradesh, and Haryana. In each state, two additional khadi institutes were also examined.

The field study followed a specific design; the details are explained in the methodology chapter and appendix of this thesis. Between 2015 and 2019, the progress and changes made at each institute were regularly checked and updated. Changes generally occur slowly in the traditional institutes.

Step 5: Analysing data: The data is analysed with the triangulation method. A detailed description was written for each of the selected khadi institutes. These descriptions are in Appendix 1. These cases revealed several unique patterns.

¹² Each step is explained in detail in Chapter 5 (Methodology) of this thesis.

¹³ A summary of the categorization method is included in Chapter 5 (Methodology).

¹⁴ A+ institutes are considered as the best performers or successful institutes according to the categorization method.

Searching for cross-case patterns¹⁵: Briefly, the similarities and differences between the cases are identified. Since this study is mainly exploratory in nature, a great deal of qualitative data was retrieved during the fieldwork.

Exhibit 2: Field Study Synopsis			
Phases	Year	Fieldwork in India	Key points
Phase 1	2012	Madhya Pradesh	<u>Low-tech traditional industry of India</u> During the first field trip, visits and observations were made in the cotton research centre, bio cotton and organic cotton agricultural fields, farmers and artisan villages, artisan workshops, showrooms, sale points, village industry products exhibitions, etc. During this field visit, informal discussion and interviews were conducted.
Phase 2	2013	Rajasthan	<u>Focus on khadi industry</u> Khadi and Village Industry Commission (KVIC) offices and khadi institutes were visited during the second field study. Lengthy discussions with KVIC officers were held to understand the structure and working of this industry. During this phase, contact with the case study actors was set up. And field trip planning and field study design of the third phase was developed.
Phase 3	2014	Rajasthan, Gujarat, Maharashtra, Uttar Pradesh, Haryana, and Delhi	<u>Focus on khadi industry and five selected khadi institutes</u> The third intensive field study was conducted for two months in the field. All the three levels of khadi industry were visited, and interviews were conducted at the Ministry of Macro, Small and Medium Enterprises (MSME), Khadi and Village industry commission offices (KVIC), Khadi and Village Industry Board offices (KVIB), and khadi institutes. The focus was on the five selected khadi institutes located in five different states. In each khadi institute, multiple visits were made to conduct field study (in khadi institutes main units, sub-units, old and new showrooms, artisan villages, laboratories, etc). Additionally, some other organisations which were linked with the khadi industry were visited in order to collect additional information.
Phase 3 (2014): Field Study Design			
Fieldwork in India		Chosen field study design (in each state)	
Rajasthan, Gujarat, Maharashtra, Uttar Pradesh, Haryana, and Delhi		<u>Step 1</u> : KVIC state offices were visited.	
		<u>Step 2</u> : A field study was conducted in each of the selected khadi institute (main unit, sub-units, artisan villages, showrooms, different laboratories, and departments were visited)	
		<u>Step 3</u> : Two additional khadi institutes located in the same zone were also visited.	
		Additionally, informal discussions and interviews were also conducted with the khadi institute showroom customers and important people living in the same area connected with khadi industry (such as journalists, freedom fighters, local customers, businessman, fashion industry people, researchers, and traders) Note : Main focus was only on the five selected khadi institutes.	

Source: Author (Based on field study between 2012 and 2014)

Note: Details are included in Chapter 5 (Methodology) and Appendix 1 (Multiple Case Studies:

A detailed description of selected five low-tech traditional khadi institutes)

¹⁵ Eisenhardt (1989) has proposed eight steps: (1) getting started, (2) selecting cases, (3) crafting instruments and protocols, (4) entering the field, (5) analysing data, (6) shaping hypotheses, (7) enfolding literature, and (8) reaching closure. This study does not include steps (6), (7) and (8). All Eisenhardt's steps are generally followed to build theory from case studies, but in this study, the focus is not on building theory, even though this is indeed a long-term goal of the author. Another study in continuation of this one will be conducted with this aim. This study is the first of its kind to be conducted in the low-tech traditional institutes of India. It is thus highly exploratory in nature. Field observations and desk research have played an equally important role in this study. An additional step 6, searching for cross patterns, has been added to gain some insight into the similarities and differences between the institutes. This additional knowledge also contributes to indicating why changes have taken place khadi institutes, and this could be instructive not only for the strong institutes but also for the weak ones.

1.5. Structure of the Dissertation

This thesis is divided into seven chapters. An overview of each chapter is provided below.

Chapter 1: Introduction

The first chapter introduces the research topic. To survive and gain a competitive advantage in the current volatile market, firms must revive their internal capabilities and competences regularly. The dynamic capabilities (DCs) literature predominantly addresses this issue. Innovation also plays a significant role in the revival of firms. This study focuses on the revival of low-tech traditional khadi institutes in India. This chapter is divided into five main sections. The first section provides an overview of the research field. The second section explains the research objectives and relevance of this study. The third section focuses on the research questions. The fourth section briefly describes the methodology applied in this study. Lastly, the fifth section sheds light on the structure of the dissertation.

Chapter 2: Literature Review

The second chapter systematically reviews the literature. It is divided into three main sections, theories of competitive advantage and dynamic capabilities. The first section briefly describes four main theories¹⁶ of competitive advantage. The second section focuses on the dynamic capabilities approach. The broad topic of this section has been narrowed to three main points: core elements,¹⁷ the evolution of dynamic capabilities,¹⁸ and the role of innovation in the revival process. The third section focuses on the traditional low-tech traditional institutes.

Chapter 3: Historical background of low-tech traditional khadi industry and khadi institutes of India

The third chapter focuses on the historical background of the low-tech traditional industry of India. The khadi industry is one of the oldest traditional industries in the world, and it has a massive structure and long traditions. Although the aim of the study is to gain understanding about the successful revival of khadi institutes, the fact that these institutes are only a part of this huge industry also needs to be considered. The changes taking place in these institutes cannot be understood in isolation, as they are strongly linked with the industry. Proper analysis requires at least a brief overview of the historical background of the khadi industry, the existing structure of the khadi industry, the exact position of the institutes in this structure, and the connections of the KIs with other components of the industry.

¹⁶ There are four main theories of competitive advantage: the competitive strategic approach (CSA), the strategic conflict approach (SCA), the resource-based view (RBV), and dynamic capabilities (DCs). For details refer to Chapter 2 (Literature Review).

¹⁷ Core elements comprise leadership and vision, strategy, resources, intelligence, culture, marketing and sales, relationships and networking, information technology, and harnessing the competence base. For details, refer to Chapter 2 (Literature Review).

¹⁸ Dynamic capabilities comprise sensing, seizing, and reconfiguration. For details, refer to Chapter 2 (Literature Review).

All these points are covered in this chapter. This chapter is divided into two main sections. The first section provides a brief overview of the khadi business's history. It is further divided into two subsections. The first subsection describes four phases of khadi business history: Pre-Gandhian Era, Gandhian Era, Post-Gandhian Era, and Second Khadi Revival Era. The second subsection briefly explains the expansion process of the khadi industry and khadi institutes during all these phases of khadi business history. The focus of this thesis is on the fourth phase, the second revival era. Therefore, in this chapter, the fourth phase is briefly introduced. This is further explained in Chapter 4, which is fully focused on this phase.

Chapter 4: Status of low-tech traditional khadi industry and khadi institutes during the revival phase

The fourth chapter provides an overview of the status of the khadi industry and khadi institutes during the ongoing second khadi revival era in India. This phase is the focus of this dissertation. Chapter 4 is divided into three main sections. The first section provides a brief overview of the khadi industry during the ongoing revival phase. The second section will provide an overview of the khadi industry structure. It is further divided into three sections: mega level (Ministry of Micro, Small and Medium enterprises), macro level (Khadi and Village Industry Commission), and micro level (khadi institutes). This thesis focuses on the micro level of the khadi industry, khadi institutes. The third section focuses on the status of khadi institutes during the revival phase. This section is further divided into several subsections which give a generalized picture of the khadi institutes. This section explains the positioning of khadi institutes in the khadi industry, their ranking, the relevance of location and historical background, different types of existing khadi institutes, and some description of their increase in performance and further expansion during the revival phase. In summary, this chapter provides a basis for multiple case studies analysis¹⁹.

Chapter 5: Methodology

The aim of this chapter is to systematically describe the research methods adopted for this study. The thesis is exploratory in nature, and a multiple case study approach is considered the most relevant approach. The chapter is divided into two main sections. The first section systematically describes how the research was conducted in six main steps.²⁰

It also sheds light on the field study design applied for this study in India. In the second section, the categorization method applied by the khadi industry to divide the khadi institutes based on their performance is briefly described.

¹⁹ Case studies are described in Appendix 1.

²⁰ For a brief overview of the six steps, refer to the methodology section of this chapter. Details are provided in Chapter 5 (Methodology).

Chapter 6: Multiple case study analyses and findings

The sixth chapter analyses the case studies and summarises the findings. The focus of this study is specifically on three main points: core elements, dynamic capabilities, and the role of innovation in the khadi institutes. This chapter is divided into five main sections. The first section focuses on the comparative analysis of the selected low-tech traditional khadi institutes during the second khadi revival era. This section is further divided into four subsections: case overview, core elements, DCs, and the role of innovation. The goal of this section is also to understand how these five khadi institutes have revived, progressed, and become top performers in their regions. This subsection also highlights the evolution and formation of dynamic capabilities in the khadi institutes during the revival process. These are the DCs that have enabled the selected institutes to strengthen and revive themselves and compete in this volatile market during challenging times. And lastly, the goal is also to examine the role of innovation in this revival process. Innovation has played a key role. The second section summarizes the findings of this thesis and answers the research questions. The third section focuses on the academic contributions of this study and the contributions for practising managers. The fourth section discusses the challenges and limitations of this study. And the last section briefly suggests directions for future research in this field.

Chapter 7: Concluding Remarks

The last chapter will provide some concluding remarks based on this study. In the low-tech traditional khadi industry of India, a massive transformation has taken place. Thousands of institutes have been saved from bankruptcy, and millions of artisans and employees have been saved from being made unemployed. The revival and reformation have taken place because of the combined efforts mentioned earlier. This thesis focuses on a small part of this revival phenomenon. An effort is made in this final chapter to highlight how the successful low-tech traditional khadi institutes were able to revive and excel in their performance in their regions during a challenging phase of the khadi industry.

2 Literature Review

This chapter will systematically review the literature. It is divided into two main sections. The first section briefly describes four main theories of competitive advantage. The second section focuses on dynamic capabilities (DCs).

2.1. Theories of competitive advantage

Four theories of competitive advantage are discussed in this chapter: the Competitive Strategic Approach (CSA), the Strategic Conflict Approach (SCA), the Resource-Based View (RBV), and Dynamic Capabilities (DCs).

2.1.1. Competitive Strategic Approach (CSA)

A revolution began in the field of strategic management literature with the publication of 'How competitive forces shape strategy'. This article, published in the *Harvard Business Review* in 1979 by a young economist, Michael E. Porter, became the foundation of the CSA. His widely acknowledged contribution to the strategic management literature was *Competitive Strategy*, published in 1980. Walker Lewis in 1981 called this book a quantum leap. It is considered Porter's most important contribution to the field of strategic management and planning. Porter's conceptual framework is based on the structure-conduct-performance paradigm of industrial organisation (Cavusgil et al., 2007). CSA emphasizes the industry's structure and strategic positioning (Eisenhardt & Martin, 2000). The core of a strategy's formulation is to cope with the strategic competition; Porter developed the Five Competitive Forces framework²¹ to understand the structure of the industry and enable firms to find the most profitable and vulnerable position to attack: where the forces against them are the weakest. The cumulative strength of these forces, ranging from intense to mild, determines the profit potential of an industry. If the forces are weak collectively, the opportunity for stronger performance becomes greater and vice versa. Once the position has been analysed, three strategic approaches²² can be adopted to gain a competitive advantage (Porter, 1980; Teece et al., 1997). The most significant contributions of this approach are the introduction of the concept of competition, and the examination of how a firm gains a competitive advantage over its competitors.

²¹Porter's Five Competitive Forces Framework are (1) threat to entry, (2) threat of substitution, (3) bargaining power of buyers, (4) bargaining power of suppliers, and (5) rivalry among current competitors.

²² Porter's three strategic approaches are (1) cost leadership, (2) differentiation, and (3) focus.

According to Akio (2005), Porter's approach is widely accepted by social scientists and is applicable in both high-tech and low-tech industries. However, the CSA has been criticized on several grounds. For instance, several empirical surveys failed to find a strong link between industrial structure and firm performance. Notable differences in firms' performances in the same strategic group have been explored in some studies (Akio, 2005), and this approach has also been criticized for only considering market structure exogenously. More recent work by several social scientists has demonstrated that market structure is both exogenous and endogenous because continuous innovations and learning take place within the firm (Teece, 2009, p. 15). This approach does not explain to strategic managers (a) how they should compete, or (b) how they should manage their asset base to improve their competitive capacity (Shuen et al, 2014). These criticisms also indicate that though CSA is a strong theory, it is weak in the application.

2.1.2. Strategic Conflict Approach (SCA)

The strategic conflict approach was developed by an American researcher, Carl Shapiro, in his paper 'The Theory of Business Strategy' published in the *RAND Journal of Economics* in 1989. This approach uses game theory tools to understand the nature of the competitive interaction between competitor firms (Teece et al., 1997; Cavusgil et al., 2007). SCA suggests that a firm must understand its influence on the behaviour and actions of competitors and subsequently its impact on the market. To gain this understanding, Shapiro has suggested certain strategic moves²³ to control rivals (Shapiro, 1989; Cavusgil, et al., 2007), yet to be effective, these strategic moves require irreversible commitments. The moves will not affect if they can be reversed without consequence or cost. A key idea is that a firm may be able to increase profits by manipulating the market environment. This approach has been used in diverse research streams, such as investment in capacity by Dixit in 1980, R&D by Gilbert and Newberry in 1982, and advertising by Schmalensee in 1983 (Teece et al, 1997).

2.1.3. Resource-Based View (RBV)

The resource based view is considered to be one of the most influential theoretical frameworks of strategic management (Eisenhardt & Martin, 2000), and a substantial (Aiko, 2005) and promising (Lawson & Samson, 2001) theory. RBV is the brainchild of Danish researcher Birger Wernerfelt. He questioned the traditional paradigms and presented a new approach from a completely different angle.

²³ Strategic moves, such as strategic investments, pricing strategies, signalling, and the control of information (Cavusgil et al., 2007).

Wernerfelt published his first article, 'A resource-based view of the firm' in the *Strategic Management Journal* in 1984. Rather than emphasizing the external factors of firms as SCA and CSA do, RBV emphasises on their internal factors. It assumes that resources are distributed heterogeneously²⁴ across firms, and these differences persist over time (Eisendhardt & Martin, 2000). The RBV suggests that when resource stocks²⁵ (Griffith & Harvey, 2001) and their related activity complement each other, value-creating strategies (Eisendhardt & Martin, 2000) can be implemented. This activity provides a basis for power and creates sustained competitive advantage. Cavusgil (2007) has summarized the rationale behind the RBV as creating entrepreneurial rents for the owners. This statement has been verified and further extended in several studies exhibiting idiosyncratic interfirm linkages that can be a source of relational rents and competitive advantage (Griffith & Harvey, 2001).

Lawson and Samson (2001) observed that this approach has changed more than just the perspective on how competitive advantage can be achieved by firms. Through this approach, a deeper understanding of the competition mechanism has also evolved. This suggests competition between firms is not about new products but rather about the capacity to develop new products. A significant contribution of the RBV is to develop a systematic approach by characterizing the firm as a cluster of resources and capabilities. The change in focus from the development of physical objects to developing a capacity has proved to be an extremely significant contribution. However, the RBV has also been criticized for a few notable weaknesses. For instance, it overlooks the role of entrepreneurial strategies (Akio, 2005). Secondly, the RBV fails to explain why and how some firms can gain competitive advantages in dynamic environments, particularly in unpredictable and fast-changing situations (Eisenhardt & Martin, 2000). Thirdly, the application of the valuable, rare, inimitable, and not substitutable (VRIN) framework was limited only to static environments. Finally, the RBV did not consider the dynamic and volatile nature of the market (Shuen et al, 2014).

²⁴ Resources are heterogeneously distributed - RBV assumes that performance differences across firms are due to differences arising from valuable, rent-generating, firm-specific resources and capabilities that cannot be easily imitated or substituted (Eisendhardt & Martin, 2000).

²⁵ Resource stocks – Resources which are valuable (V), rare (R) inimitable (I) and non-substitutable (N) These resources (VRIN) create sustainable value, so protecting and managing them engenders good firm performance (Eisenhardt & Martin, 2000; Griffith & Harvey, 2001; Shuen et al, 2014; pp.6).

2.1.4. Dynamic Capabilities (DCs)

The Dynamic Capabilities (DCs) approach was introduced by Professor David J. Teece and his two students, Gary P. Pisano and Amy Shuen. These social scientists were inspired by the article 'The core competence of the corporation' by Prahalad and Hammel (1990), which highlighted the significance of competences. The foundations of DCs are researched from the work of Schumpeter (1934), Penrose (1959), Williamson (1975, 1985), Barney (1986), Nelson and Winter (1982), and Teece (1988).

Salient characteristics of DCs include that they are imitable,²⁶ their development reflects management's ability,²⁷ their nature changes according to the market dynamism,²⁸ and they act in combinations²⁹ (Wheeler, 2002; Eisenhardt and Martin, 2000). DCs have been explained in several ways: they are considered to be processes embedded in firms (Eisenhardt & Martin, 2000); a means of achieving resource configurations (Wheeler, 2002); and a means of understanding the sources of competitive advantage and explaining firm-level success and failure (Teece & Pisano, 1994; Teece, et al. 1997). The DCs literature has been criticized on several points. Firstly, the identification of resources is considered difficult in this approach (Lawson & Samson, 2001). Secondly, there is no proper explanation of how resources could be measured (Wheeler, 2002). Thirdly, little is known about how capabilities are formed. Fourthly, the explanation of DCs has been deemed to be oversimplified (Helfat & Peteraf, 2009). Fifthly, the role of time in DCs is not clearly explained in the literature (Lawson & Samson, 2001), and finally, the validity of the DCs approach has not been tested properly (Helfat & Peteraf, 2009). Although the DCs approach has several weaknesses compared to other existing theories of competitive advantage, it is considered the most valuable approach in the current market scenario.

Both Porter's CSA and Shapiro's SCA emphasize that to gain competitive advantage, a firm must concentrate on the factors influencing the external environment. They both focus on elements such as product market imperfections, entry deterrence, and strategic interaction, and they both appear to share the view that rents flow from privileged market positions (Teece et al., 1997).

²⁶ Imitable - can be developed through multiple learning paths and have commonalities across firms and industries (Wheeler, 2002).

²⁷ Management's ability - (1) to demonstrate timely responsiveness and rapid innovation, (2) to effectively coordinate and redeploy internal and external resources or competences based on managerial and organizational processes, market positions and path dependencies (Wheeler, 2002; Teece et al 1997).

²⁸ However, the nature of DCs varies with market dynamism. In moderately dynamic markets, these capabilities resemble organizational routines that rely on existing knowledge and linear execution to produce predictable outcomes. In high-velocity markets, they resemble simply, experiential, and unstable processes that produce adaptive but unpredictable outcomes. In both high-velocity and traditional markets, knowledge and learning based mechanisms guide the evolution of DCs and underlie path dependencies in acquiring, reconfiguring, and integrating resources (Wheeler, 2002).

²⁹ Finally, DCs can be viewed as combinations of simpler capabilities and their related routines. In these combinations, sequence steps imply a temporal order for developing these simpler capabilities or for their interaction in practice (Wheeler, 2002).

However, several recent studies have reported that the internal environment of the firm is equally important in explaining performance differences between firms. This point was completely ignored in the traditional theories of competitive advantage, so social scientists' attention shifted to new paradigms: the RBV and DCs. Nevertheless, it soon became clear to managers that the RBV alone was not enough to gain a significant competitive advantage in the market. Companies such as IBM, Texas Instruments, and Philips have applied the RBV approach. Industry observers noticed that the firms which succeeded in the market were those that were able to demonstrate timely responsiveness, fast product innovation, flexibility, and management capability. These traits were necessary to effectively coordinate and redeploy the internal and external competencies of the firm. 'Industry observers have remarked that companies can accumulate a large stock of valuable technology assets and still not have many useful capabilities' (Teece & Pisano, 1994; pp. 538). It has been noticed that in the present competitive world, gaining long-term sustainable competitive advantage is extremely difficult without useful capabilities. The DCs approach focused on this aspect, thus shifting attention once again from the RBV to DCs. In the words of Eisenhardt and Martin, (2000; pp. 1106) 'Recently, scholars have extended RBV to dynamic markets. This shift gave firms an approach that could deal with the challenges and risks of dynamic environments.'

2.2. Focus on Dynamic Capabilities (DCs)

'Dynamic capabilities are defined as the subset of competences/capabilities which allow the firm to create new products and processes and respond to changing market circumstances' (Teece et al, 1997; pp. 510).

The Dynamic Capabilities (DCs) approach supports the notion that the exploitation of both internal and external firm-specific capabilities and the development of new ones are required to gain competitive advantage. Teece and Pisano (1994) bifurcated the term into the two words *dynamic* and *capability* to explain the core of DCs.

The term '*dynamic*' refers to the shifting character of the environment, certain strategic responses are required when time-to-market and timing are critical, the pace of innovation is accelerating, and the nature of future competition and markets is difficult to determine. The term '*capabilities*' emphasizes the key role of strategic management in appropriately adapting, integrating, and re-configuring internal and external organizational skills, resources, and functional competencies toward a changing environment (Teece & Pisano 1994; pp. 538).

The first term, dynamic, refers to the changes that are continuously taking place in the business environment. Amid such changes, an existing firm cannot remain unchanged. To survive, it must synchronize with market-environmental changes. The second term, capabilities, indicates the adaptation, integration, and reconfiguration of the skills and competencies of a firm in dynamic environments. When this combination of dynamic capabilities is applied to firms, even in fast-changing business environments, old practices gain the ability to compete with new ones. The meaning of dynamic capabilities is summarized by Zollo and Winter (2002; pp. 340): ‘A dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness.’

The second section of the literature review is divided into three subsections: core elements, dynamic capabilities, and innovation.

2.2.1. Core Elements

This segment of the literature review focuses on understanding the core elements that influence the dynamic capabilities. This analysis refers to the core elements³⁰ explained by Lawson & Samson (2001): (1) leadership, (2) vision and strategy, (3) harnessing the competence-base, (4) organizational intelligence, (5) organizational structures and systems, (6) culture and climate, and (7) management of technology.

Core Element 1: Leadership

Leadership has been defined as ‘a process of influence leading to the achievement of desired purposes. It involves inspiring and supporting others towards the achievement of a vision for the school which is based on clear personal and professional values’ (Bush & Glover, 2003; pp. 8). There are diverse types of leadership.³¹ Although leadership is difficult to measure, the success and effectiveness of firms and employees may be used as indicators to suggest whether leadership has been successful or not (Forbes, 1991; Barker, 1997).

³⁰ Lawson and Samson (2001) proposed seven core elements. It must be noted that one additional core element leadership is included in the original set of seven core elements. Because, in the revival of low-tech traditional institutes, leadership played the most important role. Therefore, it is essential here to include and discuss leadership. Secondly, the core element of creativity and idea management is not included as an individual core element in the literature, because in the khadi industry this part is contributed by all the members. There is no separate management. Thirdly, two sub-core elements are added, marketing and sales and business relationships and networks, which are significant in traditional industries. A few sub-elements are not explained separately (innovation champions, e-business, stretch goals for innovation, tolerance of ambiguity, and expect creative time). Their explanation is merged within other core elements’ explanations.

³¹ A summary of different kinds of leadership is provided in Exhibit 1.

One of the most innovative successful leadership examples of recent times is the late Steve Jobs, co-founder, former chairman, and CEO of Apple Inc. CNBC ranked Jobs the most innovative and transformative leader in 25 years. His statements indicate his style of leadership, for example: ‘The cure for Apple is to innovate its way out of its current predicament’. Jobs made this statement at the time when Apple was on the verge of bankruptcy and he had returned after a twelve-year absence. In such a scenario, making a bold statement relying on the potential of innovation could have been risky, but it demonstrated the innovative leadership style of a visionary. His strategy of launching innovative products one after the other was immensely successful and led to a revolution³² in the IT world (Gallo, 2014). Jobs is a clear example of successful leadership, transforming a company from the verge of bankruptcy into an industry leader. In the same way, leaders of traditional institutes such as those in the khadi industry also played a significant role in pulling the institutes from the verge of bankruptcy to financial success and security. However, the changes taking place in traditional industries are slow compared to high-tech industries. In the traditional industry in the context of India, leaders have played a very important role since the very beginning.

Core Element 2: Vision and strategy

Vision is considered a ‘significant step in the process of institutionalizing the innovation’ (Razavi & Attarnezhad, 2013; pp. 229). It is clearly explained in this statement: ‘The innovative companies seek to be the best of the best. Their employees have clarity of purpose and issue a challenge to find new ways of doing things to achieve the goal. They do not try to succeed simply by matching others. Instead, they create a vision, a target which if achieved will create products that outperform and provide a distinct market position’ (Lawson & Samson, 2001, p. 389-390). This statement clarifies several points. Firstly, to succeed in the current market scenario, it is extremely important to find new ways of doing things: to innovate. Secondly, vision provides a target to be achieved. This statement is also a sharp pointer to the increasing importance of innovation in the firm. The Canon Company provides a good example.³³ In the 1960s, the employees were asked to envision an affordable and simple photocopier that could be used by ordinary individuals in everyday life. The innovative company exercise created extraordinary results.

³² CNBC (<http://www.cnbc.com/>) is an American basic cable and satellite business news television channel that is owned by NBCUniversal News Group, a division of Comcast Corporation (<http://www.cnbc.com/2014/04/29/thefirst25.html>).

³³ Canon Company: Canon Inc. is a Japanese multinational corporation. It ranks 73rd on the Forbes list of the world’s most valuable brands. It began with the establishment of the Precision optical instruments laboratory in 1933. It specializes in the manufacture of imaging and optical products, including cameras, camcorders, photocopiers, steppers, computer printers, and medical equipment. Its headquarters are located in Ōta, Tokyo, Japan. It has 24,409 employees with consolidated net sales of 3,727, 252 million yen and 261 consolidated subsidiaries (as of 2014). It is under the chairmanship of CEO Mr Fujio Mitarai. (www.canon.com). Canon’s innovation activities began in 1966 with the launch of the excellent global corporation plan. For more details refer to this link <http://www.canon.com/corporate/history/05.html>.

New technologies and manufacturing techniques used innovatively proved to be the strongest factor enabling Canon to dominate the market in subsequent years. As Lawson and Samson (2001) indicate, the key element for success through innovation is to have clarity of purpose; this can be achieved through a clear vision. In the case of Canon, decision-makers had given the company's employees a clear guideline on what to envision, helping the employees to achieve their target and outstanding success for the firm (Lawson & Samson, 2001). A strategy is defined as 'the pattern or plan that integrates an organization's goals, policies and actions sequences into a cohesive whole' (Chevalier-Roignant & Trigeorgis, 2011; pp.10). A strategy is considered a roadmap for action in the future. It determines the configuration of resources, products, processes, and systems that firms adopt to deal with the uncertainty in their environment. In present times, a strategy is linked with innovation. 'Innovation strategy is critical in directing organisational attention' (Lawson and Samson, 2001; pp. 390). Ever-increasing strategic uncertainty makes the dynamic formulation of innovative strategy key to survival and success in a changing marketplace (Roignant & Trigeorgis 2011; p.12). Several companies have succeeded by implementing innovative strategies, including Canon, Honda, Sony, and the Swiss manufacturer of Swatch watches (Joyce & Woods, 2001; p.23).

Core Element 3: Harnessing the competence base

Harnessing the competence base in a firm is seen to be crucial for success. As outlined by Lawson and Samson (2001; pp.390), 'the ability to correctly and effectively direct resources to where they are required has long been recognised as critical to innovation success'. If the competence base is not harnessed properly, resources could be wasted, capabilities could weaken, and ultimately it could result in firm failure. The most significant variables³⁴ include resource management and a variety of funding channels.

Resource management – In a competitive environment, if a firm makes changes to gain competitive advantage, the feasibility of these changes relies a great deal on the resources. 'Resources are firm-specific assets' (Besanko et al, 2004; p.375). Proper resource management can improve the probability of stimulating innovation, which in turn is likely to significantly affect firm performance (Lawson & Samson, 2001). Some of the resources are human (people), some financial (funds), and there are others (raw material) too.

³⁴ Variables – innovation champions and E-business; This section aims to explain each core element from the traditional industries perspective. Therefore, a few missing elements have been added and a few subsections, such as e-business subsection of core element 3- harnessing the competence-base is not discussed. This is because the traditional industry (chosen case studies khadi institutions in this thesis) are not at a stage where e-business is even taken into consideration. These institutes have recently become open to the information technology which is used for daily purposes like computers or e-mail accounts or making websites. This does not mean that the products or machines are primitive too. Massive changes and advanced technologies have already been successfully applied to the fabric, designs, chemical mixtures, and small machines. But the IT section is still behind when it comes to the marketing section and offices. There are many possibilities that this core element will be developed in the future and the institutes will be able to gain from its strengths, but at the moment this element is considered irrelevant to this research.

There are three analytical steps to acquire resources. First, an estimation is made about the type and the number of resources required. Second, they are prioritized according to their importance and role in the strategic action. Third, the availability of resources is determined. A problem arises when the resources required are unavailable. In such circumstances, new ideas are generated that may provide a solution for the existing problem (Joyce and Woods, 2001). As firms successfully manage innovation, they accumulate experience and learn, supporting further improvements (Lawson & Samuelson, 2001; pp. 390).

Variety of funding channels – ‘Innovative firms employ a variety of funding channels to encourage risk-taking and entrepreneurship’ (Lawson & Samson, 2001; pp. 391). Examples of funding channels include government funding, loans from banks, private investments, etc. Funding channels play highly influential roles. The planning and execution of the project are fully dependent on the amount of funding received by the firm. Their further development and execution of innovative ideas are also partially dependent on the possibility of finding funds. The flow of funds through these channels must be smooth and consistent, otherwise, work could cease completely.

Business relationships and networking – A business relationship is defined as ‘a mutually oriented interaction between two reciprocally committed parties . . . a relationship develops over time as a chain of interaction episodes – a sequence of acts and counteracts. It has a history and a future’ (Hakansson & Snehota, 1995; pp. 25). The evolution and the further development of relationships are explained through this quotation, showing that relationships occur between two parties.

They develop during the chain of events taking place between the parties. It should be noted how relationships were understood in the last two decades has also changed.

Earlier business relationships were limited to transactions, but now they are nurtured (even through socializing), developed, and are given immense importance. Most transactions these days are highly affected by the type of relationship the two parties share. Looking at the changing nature of trends, a huge amount of literature is dedicated to business relationships. These studies have two main aims: first, to establish how important these relationships are for these firms, and second, to understand the interaction processes which take place within the relationships (Hakansson & Snehota, 1995).

According to the Cognizant (2012; pp.2),³⁵ a culture of innovation can be developed in firms through four methods: (1) defining innovation channels – such as innovation labs, booths, campaigns, workshops, or meetings, (2) identifying the appropriate people – ranging from business stakeholders to IT employees, (3) leveraging appropriate systems or platforms – such as idea management systems to gather, evaluate and manage ideas, and (4) developing an infrastructure – to support the prioritisation and proposal development for various ideas.

Marketing and sales – The role of marketing and sales have increased consistently in firms. In several small businesses, it is difficult to draw a line between the functions. In multiple cases, one department operates both functions. It must be explicitly clear that marketing and sales have separate processes through which they influence the firm (Havlicek & Roubal, 2013). Marketing plays a key role in managing relations, such as connecting customers to the product, service delivery, and financial accountability (Moorman & Rust, 1999). In an article published in the *Financial Times*, Jerry Wind suggested that ‘[m]arketing, as a management function, appears to be in decline. Marketing as a management philosophy and orientation espoused and practised throughout the corporation is however seen increasingly as critical to the success of any organization’ (Moorman & Rust, 1999; p.181; Wind³⁶, 1996; p. iv). Wind indicates a shift in the role of the marketing function, acting as a set of values and processes in which all the existing functions of the firm take part. Consequently, it is now every employee’s job.

There are two structures available: (1) firms in which groups of specialists are responsible for marketing activities, and (2) firms in which nonspecialists are responsible for marketing activities (Moorman & Rust, 1999). There is some debate over which structure is more efficient. Sales functions are also faced with challenges. On the demand side, the preferences and expectations of customers have grown alongside the choice of options in the market. On the supply side, the firms themselves are going through changes such as restructuring, cost-cutting, and downsizing, putting immense pressure on sales teams. Sales management is a complete process that includes both management and control. External market environmental changes affecting sales are mainly changes in customers, competitors, technology, and the ethical and regulatory environment.

³⁵ Cognizant (2012): “Driving Innovation Through Business Relationship Management”, Cognizant 20-20 insights, June 2012.

Cognizant is a leading provider of information technology, consulting, and business process outsourcing services, dedicated to helping the world’s leading companies build stronger businesses. Headquartered in Teaneck, New Jersey (U.S.), with over 50 delivery centres worldwide and approximately 140,500 employees as of March 31, 2012, it is listed in the Fortune 500 and is ranked among the top-performing and fastest-growing companies in the world. www.cognizant.com.

³⁶ Wind, J. (1996), “Mastering Management”, Big Questions for the 21st Century, Part 15 (6): *Financial Times*, (February 16), iv.

The firm tries to adapt itself to the external environment, leading to changes in internal structures and processes. Collectively, these changes challenge sales departments to adapt and perform to meet rising standards (Jones et al, 2005; Havlicek & Roubal, 2013). Innovative ideas applied in the marketing and sales functions have a significant influence on firm performance, crucially because these functions also act as a window directly to the customers. They can then form an opinion about the product or services available. Since they have several choices in the market, and consumers are always looking for something new, this display influences their decision when buying the product.

Core Element 4: Organizational Intelligence

Organizational intelligence is ‘the capability to process, interpret, encode, manipulate and access information in a purposeful, goal-directed manner, so it can increase its adaptive potential in the environment in which it operates’ (Glynn, 1996; pp. 1088; Lawson & Samson, 2001; pp. 392). Lawson and Samson (2001) suggested organizational intelligence in an innovative organisation is about learning about the customers and the competitors. Organizations that use the capabilities of their employees’ thinking power are the most successful. It can also be portrayed as the organization’s ability to exhibit intelligent behaviour (Martin, et al 2000). Characteristics of organizational intelligence include goal orientation, a proper organizational information base, an ability to select proper actions, proper management, and monitoring of the results (Martin, et al., 2010; pp.614).

Organizational intelligence is divided into two parts:

Learning about the customers – To gain a competitive advantage, a firm must satisfy its customers. This can be done by identifying customer needs regularly, through environmental scanning, forecasting, and competitive analysis. Acquired knowledge stimulates innovation, and the firm can produce new knowledge, products, and processes.

Learning about competitors – It is not enough to only understand the customers’ needs if the firm is to survive in the market today. Learning about competitors is equally necessary. Different firms use this knowledge in different manners. It enables firms to understand their position in the market, use their strengths against the competitors’ weaknesses, and internalize competitors’ strengths. In the global market today, internalising competitors’ strengths is quite often done via imitation.

Core Element 5: Structures and Systems

Organizational structure – ‘Successful innovation requires an optimal overall formal business structure’ (Lawson & Samson, 2001; pp. 392). As businesses grow, there is a tendency to add layers, becoming a more mechanistic and institutionalizing bureaucracy. High performing firms motivate and enable innovative behaviour by creating permeable boundaries, helping to break down the barriers separating functions, product groups, and businesses. The more permeable and organic the structure, the greater the potential for innovative ideas to spring (Lawson & Samson, 2001; pp. 392).

Reward Systems – Reward systems are a powerful motivator of behaviour and therefore key to successful innovative activity. Saleh and Wang (1993) found significant differences between the entrepreneurial aspects of reward systems used by highly innovative firms and those in low innovative firms. Highly innovative firms constructed a reward system fostering creative behaviour, including the dual ladder system, suggestion schemes, public recognition, and financial bonuses. Managers need to be aware of the effects of reward systems on behaviour, as a poorly focused system encourages people to act in potentially unintended ways (Lawson & Samson, 2001; pp. 393).

This resulted in a fivefold increase in the number of employees between 1978 and 1983 (from 321 to 1551), and its revenue grew from \$17 million to \$170 million (Besanko et al, 2004). Canon, whose organizational culture is based on Japanese traditional values, also demonstrates how culture and innovation interlink. The fundamental principle on which the work of Canon revolves is *kyosei*, a Japanese term meaning the main purpose of living and working together should be for the common good. Similarly, a message given by current CEO and Chairman Mr Fujio Mitarai on the official website³⁷ is that ‘[n]ow is the time to call on our enterprising spirit and the *San-ji* (Three Selves) Spirit to return to the growth track as we aim to become a truly excellent global company.... Canon will carry out reforms aimed at returning to the growth track. First, we will focus on strengthening existing businesses through the creation of outstanding hit products. Additionally, toward the establishment of new pillars of growth, we will launch new businesses in such fields as network cameras, mixed reality systems and displays for professional use, aiming to firmly establish the requisite business foundations and achieve sound growth’ (Mitarai, 2015). Canon has a unique combination in which a modern, innovative, high-tech company succeeds from an old, traditional culture. Canon is trying to strengthen the existing business and simultaneously trying to establish new growth – a strategy considered necessary for the company’s growth.

³⁷ Canon official website – www.canon.com

The motivation for employees could include the opportunity to earn a high salary, awards, recognition, high individual and team performance, the culture's combination of history and values, and a chance to do something new and to gain a sense of achievement.

Empowered employees

Open culture is considered the key to success in innovative competitive markets. The more skilled and competent employees are, the better their performance will be. Additionally, empowerment brings prosperity and progress. To increase speed and performance, employees must be empowered, which can be achieved through engagement in regular training, regular checks on their improvement, recognition and awards, and other tokens of encouragement.

Communication

Influential business communication is extremely important for the smooth running of businesses. Miscommunication and lack of information could be damaging to the growing business. Communication can take many forms, such as word of mouth, phone conversation, post or e-mail, sign language, etc. In low-tech traditional institutes, communications are the most important aspect of working culture.

Core Element 7: Management of technology

Technology can greatly influence a firm's performance. It is not limited to one department; it is integrated throughout the entire firm. Analysis of a global survey of 109 firms found that the major determinant of performance was the association between technology and business strategy (Lawson & Samson, 2001; pp. 395). Another trend is the alignment between technology and innovation, which can generate powerful mechanisms for competitive advantage. The benefits of technology are well known in the business world globally, but to optimize the technological advantage, all elements must align with the technology. Technology is a specific kind of knowledge, embodied in physical artefacts such as machines, products, and processes. Treating technology as knowledge could be highly useful in managing and further developing technology³⁸ (Phaal et al, 2004).

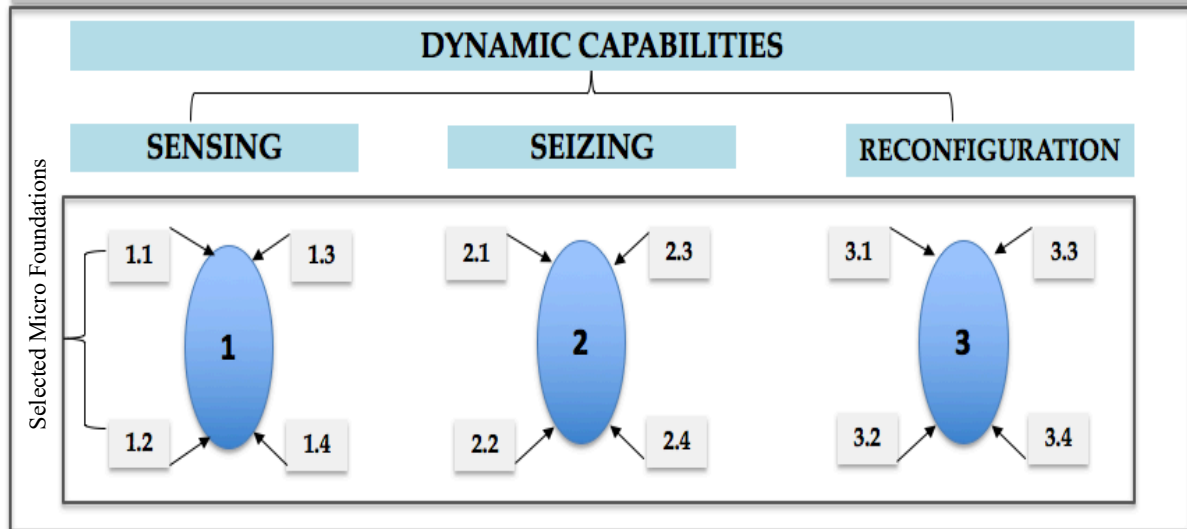
³⁸ "For instance, technological knowledge generally comprises both explicit and tacit knowledge. Explicit technological knowledge is that which has been articulated (for example in a report, procedure or user guide), together with the physical manifestations of technology (equipment). Tacit technological knowledge is that which cannot be easily articulated, and which relies on training and experience (such as welding or design skills)" (Phaal et al 2004).

2.2.2. Dynamic capabilities: Sensing, Seizing and Reconfiguration

Dynamic capabilities (DCs) are defined as ‘the ability to sense and then seize new opportunities and to reconfigure and protect knowledge assets, competencies and complementary assets to achieve sustained competitive advantage’ (Teece, 2009; pp. 206). They are disaggregated into sensing, seizing, and reconfiguring for analytical purposes. Seizing capabilities implement opportunities through various methods, such as selecting product and business model designs. Finally, reconfiguring capabilities is important to maintain a presence and competitive advantage in the market, which can be achieved through enhancing, combining, and protecting a firm’s tangible and intangible assets (Teece et al, 1997; Karagouni-Protogerou, 2013). These aspects are illustrated in Exhibit 3, followed by the explanation.

Exhibit 3

Dynamic Capabilities: Sensing, Seizing and Reconfiguration



1.	SENSING Analytical systems (and individual capacities) to learn and to sense, filter, shape, and calibrate opportunities	1.1	Processes to direct internal R&D and select new technologies innovation
		1.2	Processes to tap supplier and complementor innovation
		1.3	Processes to tap developments in exogenous science and technology
		1.4	Processes to identify target market segments, changing customer needs and customer innovation
2.	SEIZING Enterprise structures, procedures, designs and incentives for seizing opportunities	2.1	Delineating the customer solution and the business model
		2.2	Selecting decision-making protocols
		2.3	Selecting enterprise boundaries to manage complements and control platforms
		2.4	Building loyalty and commitment
3.	RECONFIGURATION Continuous alignment and realignment of specific tangible and intangible assets	3.1	Decentralization and near decomposability
		3.2	Governance
		3.3	Cospecialization
		3.4	Knowledge Management

Source: Based on Teece, 2009; pp. 49

Sensing

Sensing capabilities are the activities of the firm that are devoted to scanning, monitoring changes, and identifying new opportunities in dynamic market environments. To do this, a firm has to continuously engage in seeking and exploring opportunities in local and distant markets. This requires information, such as how to generate, select, filter, and comprehend the information. This information does not exist in the firm but is detected systematically through a series of steps. First, the firms collect new knowledge from the market using their differential access to existing information. Then, this new knowledge is explored further by several departments in the firms to create opportunities. Sensing is divided into four processes, which are described below (Teece, 2007; Teece, 2009; Karagouni & Protegorou, 2013).

Processes to direct internal R&D and select new technologies

These include processes such as meetings focused on development issues and budget, regular experiments selecting new knowledge and technology (trial and error), gathering information, processes for horizontal integration at strategic and operational levels, accumulation of innovative ideas, the establishment of new terminologies, and cooperation with other organizations such as institutions and universities.

Processes to tap supplier and complementor innovation

These include processes such as regular visits to suppliers for information and training related to machinery and raw materials, routines on selecting feedback (trial and error experiments), regular visits to trade shows, and close cooperation with suppliers and complementors³⁹.

Processes to tap developments in exogenous science and technology

These processes include activities such as regular visits to international shows, working on joint projects using innovative technologies (even with competitors), research papers, consultation on specific industry matters, promotion of a culture of sustainability, partnerships, and collaboration with universities and international organizations.

³⁹ The term complementors is used for the companies which sell goods or services which are complementary to the products sold by a company.

Processes to identify target market segments, changing customer needs and customer innovation

These include processes such as regular meetings with designers for new fashion trends, regular market research, customer surveys, participation in regular trade fairs and fashion shows, and cooperation with academic centres, media and other industries.

Seizing

Sensing was related to identifying the opportunities in the market while seizing is related to exploiting those opportunities to gain a competitive advantage in the market. Seizing includes entrepreneurial and managerial skills. Seizing depends on making and executing good decisions,⁴⁰ particularly in uncertain conditions (Teece, 2009). Again, the analysis here refers to the common points from the same four processes analysed by Karagouni and Protogerou (2013). The aim is to indicate what the general processes for seizing should be.

Teece (2009) suggested four seizing processes:

Delineating the customer solution and the business model

This process is related to designing a good business model, which Teece (2009) considers to be a form of art. Examining the architecture of revenue and costs in the form of models is a way to find advantageous cost structures beneficial for the firms, and they generate value propositions that are beneficial and acceptable to the customers.

Selecting decision-making protocols

This process is related to supporting strategic decision making so errors can be controlled. As this is the most essential element of the organization on which all the projects are based, a formalised structure, rules, and routine are developed. A proper auditing committee is created, and regular reporting is encouraged, both verbal and written.

Selecting enterprise boundaries to manage complements and control platforms

This process is related to correctly setting the firm boundaries. For this purpose, several strategies are applied, such as the appropriate regime, understanding the nature of the complementary assets, the relative positioning of innovators and potential imitators, and the phase of industry development. The boundaries of the firm must be carefully selected to derive the maximum benefit from innovation.

⁴⁰“Good decision making requires disciplined investment routines, information and data collection both external and internal and analyses, objective reasoning, attention to history and good governance” (Teece, 2009; pp. 208).

Building loyalty and commitment

This process is related to building group loyalty and commitment, considered a ‘powerful altruistic force that conditions employee goals and the cognitive models they form of their situation’ (Teece, 2007; pp. 1334). This can be achieved by leaders through communication, reward systems, and by supporting employees in balancing professional and private life challenges.

Reconfiguration

Sensing and seizing are considered important steps towards establishing a successful path for a firm. Reconfiguration is considered especially relevant for firms that have already found a niche in the market. Most companies with time, even those with niches, need to be renewed to maintain superior performance and compete with emerging, high-energetic and innovative competitors. Reconfiguration helps them to escape unfavourable path dependencies (Teece, 2007). When a firm becomes successful, two things might occur. Path dependency means an inherent tendency to accumulate more resources and asset base than required, and specific assets, internal rules, and procedures will lead the firm to become path dependent. ‘The key to sustained, profitable growth is the ability to recombine and to reconfigure assets and organizational structures as markets and technologies change. Reconfiguration is needed to maintain ecological fitness and if necessary, to try and escape from unfavourable path dependencies’ (Teece, 2009; pp. 214). Second, as the firm expands, it also has an increasing responsibility to manage and protect its resources and assets from malfeasance and mismanagement. Some examples of such practices faced by firms are shirking, free riding, the strategic manipulation of information, and internal complacency. Such practices slow the firm’s progression and development because they lead to the establishment of rules, procedures, and routines which continuously constrain firm interactions and behaviours. It is common to find that a routine that worked well when first implemented subsequently becomes dysfunctional, generating inertia and other rigidities that stand in the way of improved performance. As a result, less well-resourced firms (sometimes rejuvenated established firms, sometimes new entrants) end up winning in the marketplace (Teece, 2009).

Teece (2009) suggested four reconfiguration processes:

Achieving decentralization and near decomposability

The big systems and structures consist of subsystems. Some are dependent on each other, others are independent. Through decentralization, the leaders of the subsystems are given the responsibility to make many decisions, thus decreasing the workload of headquarters. In larger organizations and organizations that are expanding, decentralization plays a significant role. Some examples include delayering, decentralization of decision rights, teamwork, flexible task responsibilities, and performance-based rewards. (Teece, 2007; pp. 1336). This also encourages the open innovation model, 'where the enterprise reaches out beyond its boundaries to access and integrate technology developed by others.' (Teece, 2007; pp. 1337). Additionally, although sub-units should have autonomy, they should still be connected with the main head unit, follow regulations, and achieve their targets.

Governance

The governance issues are highly relevant in the context of the DCs. During the reconfiguration process, one aspect is new, proper organizational structuring, whilst the other is modifying the old structures and policies. This issue is extremely important to make changes.

Managing specialization

To operationalise the strategic fit and to create value, specialised assets need to be nurtured equally by investing in the technologies required to make them work. Innovation also plays an important role in managing specialization. One example of this is the software industry. Users prefer applications that can be integrated into single programs. The development of gyroscopic stabilizers made imaging devices such as video cameras and binoculars easier to use by minimizing the impact of camera shake and enhancing the product, especially when the new feature could be introduced at a low cost. Likewise, better high-energy rechargeable batteries enable laptop computers and cell phones to operate for longer (Teece, 2007).

Knowledge Management

Integration and management of know-how within the firm as well as from outside the firm's boundaries is an integral part of knowledge management. Other aspects include knowledge sharing, learning, and importance given to intellectual rights and property. Any kind of leakage could prove to be damaging to the firm.

2.2.3. Role of Innovation

Innovation has been explained many times by researchers in many fields. The simplest explanation of the term innovation is something *new*. It is essentially ‘the idea of something new, be it a characteristic of a product or service, of a process, a technique, or a new use for a product or service’ (Mello et al, 2008; pp. 59). Innovation is considered ‘a key element of corporate competitiveness in the 21st century’ (Mello et al, 2008). Its popularity and influence are explained clearly in this statement, ‘although this theme has been in the spotlight over the past few years, its discussion is in no way recent’ (Mello et al, 2008; pp. 58). Evolution of innovation over time is explained in the following table:

Exhibit 4: Evolution of innovation

First generation innovation	1G	Technology push	This era of innovation was the foundation for the industrial revolution. Innovation came with new, technologically advanced products and means of production. Such products were pushed onto the market.
Second generation innovation	2G	Need pull	Innovation during this era shifted to a market/customer focus in which the customer determined needs and production technology responded. Marketing took a pivotal role in generating new ideas.
Third generation innovation	3G	Coupling model	This era of innovation involved a coupling of the push and pull models. The market might need innovative ideas, but production technology refined them. Alternatively, R&D developed new ideas that marketing refined with marketing feedback. R&D and marketing were linked.
Fourth generation innovation	4G	Integrated model	An integrated model of innovation saw a tight coupling of marketing and R&D activity, together with stronger supplier links and close coupling with leading customers.
Fifth generation innovation	5G	Systems integration and networking model	This model of innovation builds on the integration model by including strategic partnerships with suppliers and customers using expert systems and having collaborative marketing and research arrangements. There is an emphasis on flexibility and speed of development, with a focus on quality and other non-price factors.

Source: Author (Based on Terziovski, 2007; pp. 4)

Innovation is not limited to one kind of industry. It can be applied to any kind of firm (high tech or low tech), in any country (developed or developing), of any size (large or small) to achieve competitive advantage. However, it must be noted that the meaning of innovation differs when applied in high-tech and low-tech industries. In high-tech industries, innovation has the potential to bring a big change in a short period time. In low-tech industries, the range of innovation is small, and the impact is seen after a long period time.

The main variables on which the firms focused on in the past were efficiency, quality, customer responsiveness, and speed. Strengthening these variables provided firms with their competitive advantage. In today's business environment, the dominant variable is innovation. In the absence of innovation, surviving and gaining competitive advantage in a volatile market environment is extremely difficult. Market demand has also turned towards innovation. Several academics and practitioners have written clearly and spoken persuasively about its importance. Practitioners in renowned companies, such as Procter and Gamble,⁴¹ (P&G) have confirmed this by remarking that the 'name of the game is innovation. We work hard to try to turn innovation into a strategy and a process' (Teece, 2009; pp.6). Similarly, Sam Palmisano, chief executive officer of IBM, has commented 'that innovation is about much more than new products. It is about reinventing business processes and building entirely new markets that meet untapped customer demand' (Teece, 2009; pp.6). These statements made by successful upper-rank officials leave no doubt that dynamic capabilities are incomplete without innovation in the present world of high competition. Teece (2009; pp.66) has stated that 'the key ingredients of dynamic capabilities (DCs) include organisational processes directed toward learning and innovation'. Innovation has strongly influenced the entire framework of the firm, including both its demand and supply sides. In the last few years, it has affected the thinking of both buyers and suppliers. As was discussed earlier, innovation in its simplest form indicates towards something new; this is the first thought of managers these days even before planning their first brainstorming sessions of any projects. Innovation has strongly influenced the growth of firms.

Although innovation is considered as one of the most important constructs in the explanations of dynamic capabilities, its strong influence on capabilities has not yet been explored; it has been treated as just another variable, like speed, efficiency, or time. It must be noted that in firms these days, innovation does not act in isolation, rather it is embedded in the core elements and thus is in the dynamic capabilities. This study argues that the innovation potential is much greater. Innovation is embedded in all the steps undertaken by firms to gain competitive advantage. Its influence increases because of the increase in the demand for something new in the market; this is in line with the meaning of innovation explained by Mellow (2008).

This thesis focuses on strategic innovation, which is further narrowed down to product innovation (a change in the product) and process innovation (a change in the way a product is manufactured, or a service is provided).

⁴¹ The Procter & Gamble Company is an American multinational consumer goods corporation headquartered in downtown Cincinnati, Ohio, founded in 1837 by British American William Procter and Irish American James Gamble.

2.3. Low -tech traditional institutes

As mentioned earlier, this thesis focuses on low-tech traditional institutes located in developing countries. ‘An institute can be defined as an organization that has a particular purpose, especially one that is connected with a particular profession’ (Hornby, 2010; pp.807). They are also known for beginning a system or introducing policy or a process. In the context of this thesis, the focus is on low-tech traditional khadi institutes of India, which are part of one large khadi industry. An overview of the traditional khadi industry and the institutes which have been chosen for the case study are explained in more detail in the next chapter. However, it is to be noted that the thesis focus is on the institutes rather than the industry. To understand the dynamics of the traditional institutes, a few points have to be made clear, particularly the differences between high tech and low-tech. Thus, this sub-section is further divided into three parts: Differences between high tech and low-tech institutes; Differences between innovation in high tech and low-tech institutes; Differences between low tech institutes in developed and developing countries.

Differences between high -tech and low- tech institutes

Institutes in which the usage of technology is higher are called high tech; examples include biotechnology, pharmaceuticals and nanotechnology, and information technology. The institutes in which the usage of technology is lower or negligible are called low tech and include food, paper, textiles and clothing, wood and furniture, plastics, and metal products (Karagouni & Protogerou, 2013). This categorization is based on the R&D intensity indicator⁴². Industrial sectors with an R&D intensity of more than 5% are considered high tech, between 3 and 0.9 % medium and those below 0.9% low tech (OECD, 2002; Karagouni & Protogerou, 2013). These are the simplest and most easily understood explanations of the differences between high-tech and low-tech industries. However, this difference entirely changes the industry, and in turn the institutes, both internally and externally. Thus, the requirements of high tech differ from those of low tech. For instance, Samsung computers could not be compared with a traditional typewriter company, and Nike shoes could not be compared with the handmade *Mojaris*⁴³. The complete process from brainstorming to the final sale, the firms’ processes, their products, their customers, their performance and the application of innovation is also quite different in each category. Therefore, their requirements and profit margins are also quite different.

⁴² R&D intensity indicator - which measures the ratio of the R&D expenditure to the turnover of a company or to the output value of a sector (OECD, 2002; Karagouni & Protogerou, 2013).

⁴³ Mojari or Khussa is a style of handcrafted footwear made in India by the artisans.

Differences between low-tech traditional institutes in a developed and developing country

Another point rarely considered in the literature is that low-tech traditional institutes (LTTIs) are also different in different countries. For example, the traditional low-tech institutes of a developed country will be much more advanced in several areas than a low-tech traditional institute of a developing country, because a low-tech institute in a developed country benefits from its location.

It receives additional support without making much effort by being located in a country which has a high overall development in comparison to a developing country. Examples include better quality and easily available resources; infrastructure facilities; efficient logistics, communication, and transport facilities; organized, systematic, and supervised working atmospheres; better exposure to the national and international markets and networks; more opportunities to display the work; and additional and more easily available support from the government and other organizations. Such support creates a huge difference between the working and growth of LTTIs in developed and developing countries.

Even low-tech traditional institutes located in the same country could have differences. Those located in urban areas will have several differences from the LTTIs located in rural areas because the requirements of rural customers and operations in those areas will be quite different from those in cities. In this thesis, the low-tech traditional institutes have taken as a sample (khadi institutes) initially had their roots in the rural areas gradually spread to all parts of the country. The interesting point to note here is this that the first model of this industry, started by Mahatma Gandhi, was limited only to the villages. Currently, major efforts are being made to extend the boundaries even further by promoting khadi products sales internationally. A strategy has been applied to display different products and services according to the requirement of the markets.

To summarise, this study will focus on the low-tech traditional institutes of India. It will also indicate that innovation in high tech and low institutes must be analysed separately. Analysing them using the same innovation criteria (which are essentially devised for high-tech industries) will not reveal the correct performance evaluation and status of traditional low-tech institutes. This point has been often ignored in the literature. The mechanisms, core elements, and other elements that apply to high tech are quite different from low tech. Even in the articles discussed in the literature review, the examples or case studies were based mainly on high-tech industries. Low-tech traditional industry or institutes examples were not even taken into consideration. Most of the models or theories in the literature have

used generalized statements such as *applicable for all*, but it is evident from this researcher's fieldwork⁴⁴ that they could not be applied without making alterations which fit them to the requirements of low-tech traditional institutes.

In the next chapter, an overview of the low-tech khadi industry in India is explained in detail. This description is essential to understand the background and positioning of the low-tech traditional khadi institutes. The focus is kept on the institutes.

Difference between innovation in high-tech institutes and low-tech institutes

When innovation is discussed, the thought that generally comes to mind is of innovative computer applications such as introduced by Apple at regular intervals. In general, the low-tech industry is considered to be non-innovative and old fashioned, in the literature as well as in the field. 'Low-tech industries have been the subject of the innovation debate in the past few years although their significance for the technological and socio-economic development was long before under investigation. They have been considered as non-basic innovators, due to their stable mature environment where changes were slow and cost-leadership important. Yet, since the beginning of the new millennium, there are no stable and stagnant business environments anymore. To survive and prosper, low-tech companies have intensified their efforts towards both incremental and radical innovation. This is done mainly within the limits of knowledge-intensiveness thus combining existing codified knowledge with practical knowledge in competitive ways and sometimes by complementing internal R&D in their core areas' (Karagouni & Kalesi, 2011; pp. 95). This long quotation from Karagouni and Protogerou (2011) has been included to exemplify the general view of traditional low-tech industries. This study argues that it is a misconception that low-tech industries are non-innovative. This misconception has arisen because innovation in such industries differs from expectations due to its scale, application, and speed. Its influence is also not visible overnight; in other words, its application does not bring a huge amount of success for the firm in a short period.

However, this difference is hardly taken into consideration in the literature. In the literature of innovation, high-tech industries can regularly introduce new products and process at high speed are usually considered innovative while, the rest are perceived as non-innovative and old fashioned. The recent example of the khadi industry in India, which is also the focus of this study, supports this argument. A great transformation and revival are taking place in this industry currently to enable this industry to survive and return to the race of competitive advantage. Innovation was the key element behind this change. This change has taken place at a very slow pace, but it has transformed the entire industry.

⁴⁴ This point will be discussed with example and explanation in the chapter on case studies and findings.

3. Historical background of low-tech traditional khadi industry of India

The khadi and village industry (KVI) is one of the largest low-tech, traditional industries of India. It is spread across the entire country and employs thousands of workers and artisans. The official definition of khadi, appearing in the Khadi and Village Industries Commission Act, 1956 (No. 61 of 1956) and as amended on 22 March 2006, is ‘any cloth woven on handlooms in India from cotton, silk or woollen yarn handspun in India or from a mixture of any two or all of such yarns’ (KVIC Annual Report, 2015).

Khadi, or khaddar, refers to varieties of simple, coarse cloth that have been hand-woven using hand-spun yarn. Khadi has also been used as a tool of the Swadeshi (which means belonging to the country) movement.⁴⁵ There are three main types of khadi: khadi cotton, khadi silk, and khadi wool. This thesis will focus specifically on khadi cotton products and the processes of low-tech traditional khadi institutes. Khadi cotton production includes processes such as ‘cotton growing, picking, ginning, cleaning, carding, silvering, spinning, sizing, dyeing, preparing the warp and the woof, weaving, washing and dyeing’ (Gandhi, 2012; pp.105).

The focus of this thesis is on the most recent revival phase of the khadi industry. To understand the positioning and market dynamics of this phase, it is essential to understand its building blocks. ‘The tendency to treat economic events as if they constituted independent casual series has been observed frequently. In reality, economic facts are the result of other facts that may originate from every imaginable sector. I am in favour of recognizing the interdependence of any particular historical series with all the other series, such that we may see that each element of such a series results from causes attributable to all the others’. (Fontaine, 2014; pp.1). In the khadi industry, all business events are interconnected. Today, the existence of the khadi industry and institutes is a result of all events that have occurred in the past. They have contributed to the formation of this industry. Thus, it is essential to understand a brief background of the khadi industry. The focus of this thesis is on the recent revival phase of this industry, and specifically, on the successful revival of the khadi institutes.

⁴⁵ Swadeshi movement- This movement was started by freedom fighters before the independence of India. The emphasis was on using the products made in the country by the country’s people without the use of machines. The idea was to strengthen the economy of India, make each Indian economically self-dependent, and weaken the clutches of foreign rule.

This chapter is divided into two sections: (3.1) Phases of khadi business history, and (3.2) Expansion of the khadi industry and khadi institutes.

3.1. Phases of khadi business history

The history of khadi parallels the history of India (Gonsalves, 2010; Dixit, 2010). The dynamics of the khadi industry in the Indian market were strongly influenced by historical events. The most influential actor in the development of the khadi industry and expansion of khadi institutes (KIs) was Mahatma Gandhi. His influence was so strong that Gandhian philosophy and khadi became inseparable. Despite the existence of the khadi industry before the birth of Gandhi, Gandhian thoughts and philosophy did and still do play a strong role in the organizational culture and values of these institutes. Thus, this division was made with Gandhi's life at its centre.

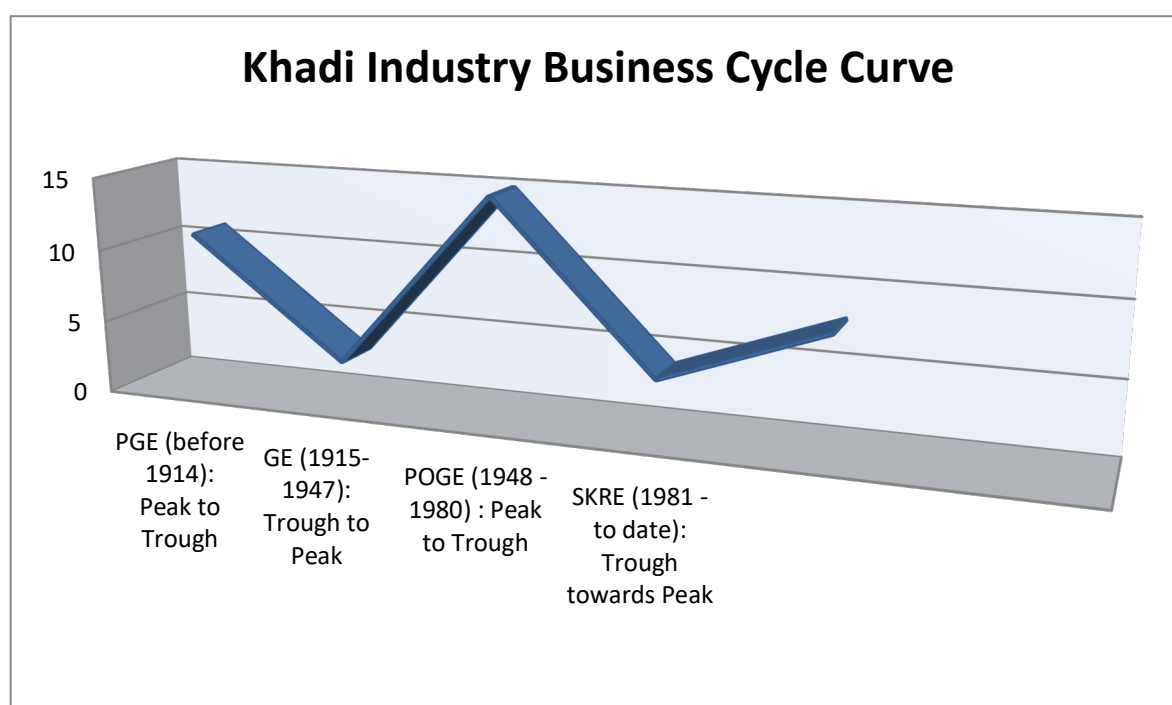
The historical background of the khadi industry is divided into four phases.

- (1) Phase 1 (Before 1914) : Pre-Gandhian Era (PGE)
- (2) Phase 2 (1915 - 1947) : Gandhian Era (GE) or First Khadi Revival Era (FKRE)
- (3) Phase 3 (1948 - 1980) : Post-Gandhian Era (POGE)
- (4) Phase 4 (1981- to date) : Second Khadi Revival Era (SKRE)

The khadi industry has experienced several stages of growth and stagnation. To simplify the khadi business trend, it can be likened to business cycles. 'Business cycles are a type of fluctuation found in the aggregate economic activity of nations that organize their work mainly in business enterprises. A cycle consists of expansions occurring at about the same time in many economic activities, followed by similarly general recessions, contractions, and revivals which merge into the expansion phase of the next cycle. This sequence of changes is recurrent but not periodic; in duration, business cycles vary from more than one year to ten or twelve years. They are not divisible into shorter cycles of similar character with amplitudes approximating their own' (Reijer, 2002; p.1). The business cycle has four distinct phases: peak (the highest point of a business cycle), expansion (points indicating towards growth), contraction (points indicating towards negative growth or decline), and trough (the lowest point of a business cycle). The goal of this chapter is not to collect quantitative data and estimate the trend; this thesis is qualitative. The goal is to give a brief idea of khadi business dynamics of the past and present because the future is strongly influenced by them.

Exhibit 5: Historical background of khadi industry and khadi industry business cycle

	Phases			Business Cycle
	Phase 1	Before 1914	Pre-Gandhian Era (PGE)	Peak to trough
	Phase 2	1915 -1947	Gandhian Era (GE) First Khadi Revival Era	Trough to peak
	Phase 3	1948-1980	Post-Gandhian Era (POGE)	Peak to trough
Dissertation Focus on Revival Phase	Phase 4	1981- to date	Second Khadi Revival Era (SKRE)	Trough towards peak



Source: Author (Based on the literature of the khadi industry and field study)

The four phases of khadi business are briefly explained below.

3.1.1. Phase 1 (Before 1914): Pre-Gandhian Era (PGE)

The Pre-Gandhian Era (PGE) saw both the rise and fall of the khadi business in the Indian market. Before the British, the khadi business in India was prospering, but with increased British dominance of the Indian market, the khadi business declined. By the end of this phase, several key parts of the khadi industry had been lost. The conditions of farmers, spinners, weavers, and even merchants became so bad that the khadi business was almost extinguished (Dasgupta, 2012; Dixit, 2010). During this phase, the khadi business cycle moved downwards from a peak towards a trough.

Status of khadi business before the arrival of British East India Company in India:

During the 16th century the Indian economy, which is considered an agricultural economy, looked different. Agriculture and industrialization played equal roles in the economy. Indian markets in the Pre-Gandhian Era (PGE) were famous for their innovation, and technological advancements which were in an advanced stage of development and growth. This was especially clear in sectors such as metallurgy (several well-known monuments were made and carved by the iron), traditional plastic surgery, shipping, and natural medicine. The labour-intensive textile industry and its handmade products had a significant market presence. Cloth merchants were known for their progressive trade. Traders exported clothes to distant lands and accumulated enormous wealth. The advanced agricultural tools of India inspired the improvement of agricultural tools in many countries, including England. The process of cultivating, spinning, and weaving high-quality cotton was well known in every village of India. Most of the households had spinning wheels, which were integrated into their daily lives. Local people used to spin (make thread from cotton using spinning wheels) and would either weave themselves or ask weavers to make their clothes. According to British-India statistics, about 10-15 lakh charkhas (spinning wheels) were being used by the people during the Pre- Gandhian Era (Dixit, 2010). Textiles ranging from Muslin of Dhaka to the sires of Kanjivaram and Banaras were made by the spinners and weavers by hand (Dixit, 2010).

Many statements portray the picture of spinners and weavers during this time, such as this quote in the Hindi language: *‘Malmal main charso se bhi adhik taar hote the. Phir bhi purna viksit maheela ke liye puri saree (laghbhag 6 gaj) ek anghudhi main se nikal ja sakti thi....angrez wa anya European lekhakon ne to yahan ki malmal, suti wa reshmi vastron ko bulbul ki aankh, mayor kanth, chaand aur sitaare, pavan ke taar, bahta pani, aur sandhya ki os jesi anek kavyamayi upmaayen di hain, jabki angrjon ko yah bhi pata nahi tha ki unhe banaya kaise jata hai. England main suti kapde tha malmal ka utpadan 1772 taha 1781 main arambh hua’* (Dixit, 2007; pp.7). In English, this translates as – There are more than 400 threads in the muslin after weaving; it takes the form of a sari, which is worn by women; it is about 6 meters long. Its quality and uniqueness lie in the fact that it is so fine that it could be passed through a finger-ring. British and other European writers and poets mentioned khadi muslin, cotton, and silk in numerous literary creations. They used it as a metaphor and gave various beautiful names to khadi such as the eye of a sparrow, peacock neck, stars and moon, threads of wind, flowing water, and dewdrop of the evening. And this was the time when the British were unfamiliar with the process of making such beautiful fabric. Inspired by the handmade production of Indian clothes, cotton and muslin were produced in England during 1772 and 1781.

This evidence indicates the textile markets, in general, were growing, and spinners and weavers were well off. Cloth merchants were considered to belong to the rich class of Indian society. Importing and exporting the cloth was common. Overall, the khadi business was in good condition. If viewed from the business cycle perspective, the khadi curve was already in the expansion phase, and it was moving towards further expansion and a peak. The main reason for the khadi business’s move towards a peak was because fewer buying options were available for people in the textile market during this era. Khadi was the most popular, reliable, and easily available fabric for all occasions. People were used to buying or making hand-spun and handwoven clothes. Spinners and weavers were able to earn enough for their livelihoods. Traders expanded this market in distant lands, so exporting increased accordingly.

Status of khadi business at the beginning of the British rule: As the dominance of the British started to increase, their impact on the Indian market also increased. The condition of spinners and weavers started deteriorating, trade decreased, and the traders lost their wealth. The khadi business moved from the peak towards contraction during this stage, because of unfair British trade policies, such as controlling the Indian supply chains.

Raw cotton grown by the Indian farmers in India was obtained at a cheap price and supplied to the English mills at a very low price. The cotton was transformed into mill-manufactured textiles in Europe and sold back to India at very high prices. There was stiff competition for maximum production and cheap labour. These market-distorting rules led to the suffering of Indian cotton-growing farmers and cotton-picking labourers, and the weakening of the Indian textile market. The suffering of hand spinners and weavers grew to the extent that the traditional family professions of weaving and spinning almost disappeared. Farmers were also exploited through inadequate pay. The result of these changes was that the khadi market contracted (Gonsalves, 2010), which had a negative impact on the Indian textile industry. 'The industrial Leviathan has become far more powerful than it ever was. Firstly, the foreign industrialists, helped by the state, stifled the cottage industry of India by dishonest practices, pressure and oppression. So, it was not only a question of unequal competition in the market but also the misuse of state power. But the industrial power acquired such prolific productivity that, even without the help of state power, it could easily wipe out the cottage industries and handicrafts in the open market' (Dasgupta, 2012; p.189).

Efforts made to revive khadi business and the condition of artisans: Continuous insults from the British gave rise to an outburst of Indian nationalists in the form of the first Swadeshi movement. 'It was in Bengal that the first Swadeshi movement of India had its origin, amidst the anti-Bengal partition movement of 1905. Bengal was the first to start a political movement through Swadeshi propaganda, the boycott of foreign goods and education. This gradually spread to other parts of the country' (Dasgupta, 2011; pp. 188). This movement had its roots and drew inspiration from Dadabhai Naroji's 'drain of wealth' theory. One intention of early nationalists was to free the country from British rule and revive the Indian textile industry (Gonsalves, 2010). The first Swadeshi movement intended to revive the conditions of the Indian textile market, but it failed for several reasons. First, the supply of clothes in Indian mills was less than the demand for Indian customers. Secondly, Indian mill owners did not have the resources required to increase their supplies. Thirdly, many Indians did not support the Swadeshi movement and continued to buy British textiles and wear English clothing. All gave rise to fundamental inconsistencies in the united aim of reviving the khadi industry.

3.1.2. Phase 2 (1914-1947): Gandhian Era

The Gandhian Era spans the years from 1914, when Gandhi returned to India after the successful freedom movement in South Africa, to his death in 1948. Considered the golden era of the industry, the khadi business history curve again moved from a trough towards a peak. At the beginning of this era, the khadi industry was in terrible condition. Khadi products were disappearing from the market and artisans were being pushed towards poverty (Dasgupta, 2012; Dixit, 2010) and other professions. In such circumstances, Gandhi used innovative planning, powerful leadership, and influential strategies to completely transform the status of this industry (Gonsalves, 2010; Kumarappa, 2010). The structure of the industry expanded, and the number of khadi institutes (KIs) increased tremendously. By the end of this era, almost all Indian citizens and supporters of this movement were making, buying, selling, and wearing khadi. The khadi business during the Gandhian Era was based on, and inspired by, the strong principles of non-violence, tolerance, and patience preached and practised by Gandhi. The khadi business was revived, and the solid foundation of the modern khadi industry was also laid during this phase (Kulkarni, 2002; Dixit, 2010). The khadi business curve had reached its peak. A simple fabric which was initially used as a tool of the Swadeshi movement gradually became a strong symbol of independence during the freedom struggle of India, and eventually became a medium for providing employment, rural development, and above all, self-sufficiency. After independence, however, the high status of khadi declined.

Role of leadership and vision in the first successful revival of the khadi industry

The Gandhian Era had a challenging beginning, with Gandhi's movement facing lots of criticism and opposition from both British and Indians. Yet under strong leadership, with clear objectives, well-thought-out strategies, and a collective nationalist approach, this era saw a phase of development, growth, and most importantly, hope. It began in 1914 when Gandhi returned to India after a successful freedom movement in South Africa called *Satyagraha*.⁴⁶ The movement had a strong impact worldwide and raised the hopes of Indians living both in India and abroad. His work and success made him hugely popular.

⁴⁶ Satyagraha - A unique, nonviolent method of protest (Kulkarni, 2012; p.63).

He was well known in India, even before he returned to the shores of India. During this time, Indians were waiting for someone to turn around events and bring back their lost dignity and prosperity. When Gandhi came, people looked up to him. He was given an enormous welcome on arrival and had the support of masses. The objective for Gandhi was clear; he wanted to find solutions for the problems in India. His main aim was to become the torchbearer of freedom from the British, complete freedom for India (*Purna Swaraj*). To achieve this objective, he chose to revive the cottage industries. ‘The real purpose of reviving cottage industries was its use in the struggle for attaining freedom’ (Dasgupta, 2011; pp. 190). If villages could become self-sufficient, the villagers could become self-reliant for the necessities of life or at least get it from the immediate neighbourhood. In such a scenario, their dependence on foreigners would gradually decrease and they would be able to protect themselves from all kinds of exploitation and harassment. ‘Gandhiji wanted to build the edifice of Indian’s independence on this very foundation, viz. the foundation of village industry, the destruction of which was the cause of village subjugation’ (Dasgupta, 2011; pp. 188).

Resources and symbols used to revive khadi business: ‘How to ensure mass employment to the rural poor, whose livelihood had been destroyed, courtesy of colonial exploitation by the British, in a self-reliant, dignified and spiritually satisfying manner? This was the question that Gandhi grappled with when he joined India’s freedom struggle. He found the answer in the spinning wheel, which he proclaimed, is the auspicious symbol of *sharir yajna*’ (Kulkarni, 2002; pp. 62). To understand why Gandhi chose this simple machine to perform such an important task, one must first understand the application of the spinning wheel. ‘Why did Gandhi zero in on *charkha* as his tool for India’s *swaraj* when he returned from South Africa? (Kulkarni, 2012; chapter 6; pp. 57). It is to be noted that this was also during a time when many other machines, advanced technologies and other equipment were available on the market. ‘The choice was dictated by two factors. The objective factor was the wrenching poverty in most of the 750,000 villages of British India. The subjective factor was Gandhi’s genius of symbolism, the art of iconifying the essential message of a mass movement’ (Kulkarni, 2002; chapter 6; pp. 57).

Strategies applied to revive khadi business: Though the first Swadeshi movement spread from Bengal to other parts of the country, it ultimately failed. This laid the foundation of the second Swadeshi movement, led by Gandhi. ‘Gandhiji took help from that Bengal movement, gave it an all-India character and gradually built up a struggle of gigantic proportions’ (Dasgupta, 2011; pp. 188). During the Pre-Gandhian Era, a syntagmatic (Gonsalves, 2010) structure of the Swadeshi movement had been popular. Early nationalists would wear Indian pieces of clothing alongside the British dress to respect the British concept of being civil in society whilst maintaining their Indian culture. Gandhi did not accept this Indian-British style, which conflicted with his views on *Purna Swaraj* (complete freedom), which also had to be shown in the dress style of Indians. He believed this expression was essential, as they (even their bodies and physical outlook) were the representation of their country in the mixed society of that time. In 1915, Gandhi completely discarded the mixed clothing style, giving rise to the second, and stronger national Swadeshi movement. In this movement, importance was given to a new paradigm of clothing which focused completely on the Indian style of dressing, using textiles produced by the Indian textile mills. Khadi became the main tool of this movement. This simple fabric played a major role in the representation of India’s quest for economic self-sufficiency, self-reliance, and self-respect. Khadi became a national freedom symbol, and a weapon for obtaining independence (Gonsalves, 2010). He further suggested, ‘if the nation-building had to proceed based on equality, we could not have some joining the struggle wearing a loin-cloth while others, wearing a tie’. Both the poor and the rich would have to join the struggle wearing khadi, the hand-spun cotton cloth, for it was to be the uniform of the freedom fighter, and the symbol of a new life of unity and equality. ‘In our national life, this simplicity has not made us uncivilized, it has made us truly civilized. It has not impoverished our natural life, it has enriched it in self-respect.’ (Dasgupta, 2011: pp. 193).

Challenges during the first revival phase: There was opposition from rich upper classes and congress party members, during the first revival phase, as they did not believe in the potential of the spinning wheel, and they doubted the future of the cottage industry. In their view, it could neither be revived, nor could rural India become self-reliant. Consequently, they would not accept Gandhi’s proposal. They had another proposal in mind. The upper classes proposed an alternative; capitalists should be encouraged and supported because they had the resources and power to replace the British with the help of capitalism. Gandhi strongly believed the needs of India could not be resolved by capitalists, especially at such a critical period of Indian history.

He feared that if Indian industries were left to the mercy of a few individuals, the problems of the people, especially the poor, would increase rather than be solved. He opposed the proposal and tried to convince them, suggesting: ‘this was not only the awakening of our strength, and the confidence to stand on our feet, but this principle would break the back of imperialists. The greed and exploitation of the imperialists would be shattered, and their continuance in India would be a complete loss to them. The British came to India in search of trade and commerce, and we had to send them back by blocking their path. This weapon (khadi) is double-edged: one edge is Swadeshi industry and the rise of the people’s industrial-strength: the other serves as an attack on the *raison d’être* of foreign imperialism’ (Dasgupta, 2011; pp. 190). Gandhi was a strong-headed man with an astonishing potential to convince strong opposition as well, eventually succeeding in his persuasion.

Establishment of the systematic structure of low-tech traditional khadi industry: During this stage, Gandhian-thought, and strategies were accepted by most Indians and when the main implementation of the strategies occurred. India started the process of beginning to learn a new common language of patriotism, becoming united in the process. ‘This new sense of self-respect, the dignity of the human self, and opportunity to stand united and as one along with our brothers who live by manual labour, viz. the peasants and the workers- all these have bestowed on India an immense political prestige, strength and inspiration. From this alone has come national consciousness and the sense of political morality. It is with the help of this political strength, it is by the force of moral resolve or will-power that we helped the cottage industry (Dasgupta, 2011: pp. 193). Complex questions of various sorts arose after this point, and inevitably different viewpoints came into play. The success of the charkha was not everything. Gandhi constantly thought of ways to organise the people so that the charkha and cottage industry could be freed from exploitation. His quest finally led him to the idea of collective ownership. He realised that if there were to be improved living standards in the villages, the villagers had to be freed from exploitation from both within and without. He said, ‘The revival of the village is possible only when it is no more exploited. Therefore, we must concentrate on the village being self-sustained, manufacturing mainly for use. Provided this character of the village industry is maintained, there would be no objection to villages using the modern machines and tools that they can afford to make and use. Only, they should not be used as a means of exploitation of others’ (N.K.B., Harijan, 29th August 1936, pp.45; Dasgupta, 2011; pp.203).

At this stage, Gandhi and his supporters were able to convince a large proportion of the population of India, including influential Indian individuals as well as political parties, about the importance of khadi and village industry (KVI) development. This brought a sense of stability to this era and it could be considered as the most significant period for khadi business growth throughout Indian history. The third phase began when the All India Association of Khadi (AIAK) was inaugurated. At this stage, the khadi movement was at its peak and highest level of growth. Almost all of India was making, buying, selling, or wearing khadi. The establishment of khadi institutes (KIs) all over India caused an immense change in the Indian textile market. The British monopoly over the Indian market was completely broken through this movement, as the use of khadi as a tool finally led to India's independence from the British. This sector was closely linked to the upliftment of weaker and poor sections of society and the overall development of rural India. Khadi institutes played an important role during the Gandhian era in providing employment to the unskilled rural workforce and providing Indian-made clothing to consumers. Low-tech traditional khadi institutes survived and performed extremely well on both supply and demand sides during this period.

3.1.3. Phase 3 (1948 -1980): Post-Gandhian Era

The Post-Gandhian Era (POGE)⁴⁷ began in independent India, right after the death of Gandhi.⁴⁸ During the POGE, the khadi business curve again moved from the peak toward a trough. At the beginning of this phase, the khadi industry continued to prosper; in fact, a great deal of emphasis and support was given to it after independence (Dixit, 2010; Gonsalves, 2010; KVIC, 2006).

Just like it did at the end of the Pre-Gandhian Era, during the middle of this phase, the khadi industry business curve started to decline. Several factors were responsible for the decline in the khadi business. For instance, there were continuous improvements in the supply side: regular improvements in spinning wheels, improvement in the quality of raw material, improved artisan training, etc. There were also increase in employment and production. At the same time, however, the demand side and competitive market trends were completely ignored. After gaining independence buyers no longer had a strong motive to buy only khadi products. Numerous new and fine textile products entered India, such as Chinese silk, which was also comparatively cheap and easy for the customer to maintain (Dixit, 2010). People almost stopped buying khadi products.

⁴⁷ Post -Gandhian Era (POGE) began one year after the independence of India.

⁴⁸ Gandhi died in 1948, just one year after the independence of India.

It was an extremely challenging period, not only for this industry but also for the Government of India. The khadi industry is the only traditional industry that was spread all over India, and it employed thousands of largely unskilled and uneducated people (KVIC, 2006; KVIC, 2010; Gonsalves, 2010). The development of khadi and village industry (KVI) was initially a non-governmental effort under the guidance of Gandhi. After Independence, it was included within the framework of the five-year plans by the Government of India, and a statutory organisation named the Khadi and Village Industry Commission (KVIC) was created. It was inaugurated in 1956, by an Act of parliament (Annual Report 2012-13, KVIC, 2013). Khadi was included in the five-year plan and a special unit in the form of a commission was made to supervise the KVI, and work towards its further development.

In 1947, India became independent, and in 1948, Gandhi was assassinated, and with the newly independent India and new leadership came new bigger problems. In the shadow of all these changes, the khadi business slowly started to decline. This is indicated by Jawaharlal Nehru, the first Prime Minister of India, in an article on the new role of khadi: 'I have heard complaints that the Government has not given adequate help to the khadi and village industries. If these industries depend on their development and existence solely on Government help and have no inherent strength or vitality of their own, they cannot survive for long. It is for the workers employed in the Khadi and Village Industries to think seriously about the problem and its psychological aspect' (KVIC, 2006; pp. 83).

In this stage, the khadi business cycle started its journey from its peak towards contraction. The campaign to gain independence united Indians nationwide. After achieving independence, in the absence of a common goal and common leadership, khadi was overshadowed with new problems of independent India and the availability of other textiles in the market. This stage is interesting for the study of khadi business trends. There was a continuous improvement on the supply side of khadi business, such as enhancements in the models of the spinning wheel (from traditional to amber spinning wheels) and increase in the registered traditional institutes, employees, and funding. Though there were advancements in supply, the demand side and the competitive market trends were completely ignored. For instance, it was not taken into consideration that after the independence of India, the buyers did not have the common motive and ambition to buy only khadi products.

Buyers started focusing on the drawbacks of khadi products; they were expensive, their maintenance was not easy, and they were rather rough to wear compared to other cheaper options. Machine-made, affordable, and convenient Indian clothes or fabric, along with ready-made Chinese clothes with many designs and colour options started attracting local Indian buyers. In the Gandhian Era, the visions of buyers and sellers were the same, but in the Post-Gandhian Era, a gap opened. Sellers did not change, but buyers evolved, causing a surplus of unsold stock in the khadi stores and empty shops, resulting in the decline of khadi business overall.

In such conditions, to support khadi and rural people, mostly artisans, as well as this traditional industry, more attention was given to the village industry. 'In the year 1987-88, the Government of India as per the recommendation of the KVI review committee (KVIRC), amended the KVI Act, which ushered in considerable expansion of the scope of village industries, eligible for finance and coverage under KVI activities. By this amendment, KVIC adopted a definition for village industries in place of a schedule, which was followed hitherto. This resulted in strengthening the rural economy by providing sustainable employment opportunities through the promotion of Khadi and Village industries' (KVIC, 2013). Even with this initiative, the root cause of the failure of the khadi business was not considered. Village industries developed, but the khadi business did not improve significantly. During this stage, there was continuous inclusion of the khadi industry in five-year plans, but more attention was given to the supply side of development (such as buying new machines, land, infrastructure and furniture for offices, institutes, or development in the fabric processes), while the demand side was completely ignored. Supply increased and demand decreased. Secondly, communication and understanding between the office bearers at KVIC and the managers at khadi institutes (KIs) deteriorated, which caused increasing problems and put their survival at risk.

Again, khadi was on the verge of disappearing, reaching the trough of the business cycle, for the second time in its history. The main reason for the first trough was foreign rule, but this time it was the mismanagement of local rule. The decline to a trough did not take place in one day. In the absence of any renewal of strategies and strict monitoring, the industry declined continuously. There were many problems at this stage, such as a lack of raw materials or marketing facilities, delays in obtaining funds, delays in payments, and decreasing capital. The unsold stocks in stores were ruined, ultimately resulting in a great waste of money, time, and labour. This era also saw an increase in corruption in the khadi industry.

Collectively, all this led to an increase in unemployment for village artisans, who were also passing through the agrarian crisis. These changes also led to their migration to cities in search of labour, which resulted in further unemployment in cities as well. Khadi institutes (KIs) were instrumental in providing employment and livelihood to the poor masses but significantly lost their dominance of the textile market. Supply increased many more times than demand; in fact, demand started decreasing. There was a complete imbalance. The khadi industry could not attract the buyers' interest as they did before in the Gandhian Era. The values which had given rise to khadi institutes also faded away in the competitive high-tech market (Rohini, 2009).

Slow stagnation of the khadi sector in the Post-Gandhian Era is revealed in systematic five-year plan reports produced by the Indian Government. *'Gandhi ji ko ek baar kaha gaya tha: babu khadi jaldi maili ho jaati hai! unhone uttar main kaha – haan khadi ko mail pasand nahi! Unke is uttar ke kai arth nikal sakte hain. Khadi ke kaam ko sarkar ki vibhagiye parmparaon ne nibhaya hai! Saath hi, unh eek daftri chaap se jode bhi rakha hai! Isse, is raviayye se khadi ke mool uddeshyon mein antar aa gaya hai! Khadi sansthayen apne nirvahan ke liye vibhagon, bordon aur kamishan ke dahleez per apne ko sada khadi hui paati hain! Kai sansthayen kushasan ki shikar ban gai hai! Khadi ki dukaon main neerasta ka parichay milta hai, shithilata ka, alasya ka! Khadi ki keemat ghati nahi, grahak rusht hai! Katin, bunker ki aay badhti nahi, we asantusht hain! Khadi swaym swayt nahi, garibon ko swayat banana ki stithi main khana? Sudhar kaise aaye, yah sochna hai! Sudhar avashya aa sakta hai, yadi ek nayi disha mile! Mumbai-delhi main khadi ki pradarshniyon matra se nahi khadi ki dasa aur disha per seminaron ke ayojan matra se nahi, balki khadi ke katin-bunkar samuday ke saath ek gahre vimarsh se! aur vimarsh gar khadi berojgaaron se bhi, gair khadi upbhogtaon se bhi, we khadi-parivar ke sadsayon se kam nahi-na sankhya main, na soch samajh main.'* Gopalkrishan Gandhi, Rajyapal, West Bengal, Calcutta, August 21, 2006. (KVIC, 2006; pp.48).

The above can be translated to mean: This text reflects thoughts on how to improve khadi's status by changing strategy. It was at this time that the seeds of khadi reformation started growing in India. Discussions were held to understand the root causes and to find solutions to revive khadi. This text also highlights an interesting answer given by Gandhi when it was remarked that khadi gets dirty very easily. He replied, yes, khadi does not like dirt, thus drawing a metaphor between the purity of the fabric and purity in the intentions of this business, which was initiated to help the poor rather than for self-interest.

This was the last stage of this era, which brought khadi business to the bottom. None of the problems which had arisen in the previous two stages was solved. People almost stopped buying khadi altogether, even though there were thousands whose livelihood depended on it. It was an extremely challenging period, not only for this industry but also for the Government of India. It is the only traditional industry spread across India and provides employment to thousands of largely unskilled and uneducated people. To properly understand the changes which are taking place in the low-tech traditional institutes during the revival phase, which is called the second khadi revival era in this thesis, it is essential to understand the evolution and development of khadi institutes (KIs) and the factors which have influenced their growth in the past. The history of the khadi business is intertwined with the history of India. The dynamics of khadi in the Indian market were strongly influenced by historical events taking place at that time, especially by the leadership of Gandhi.

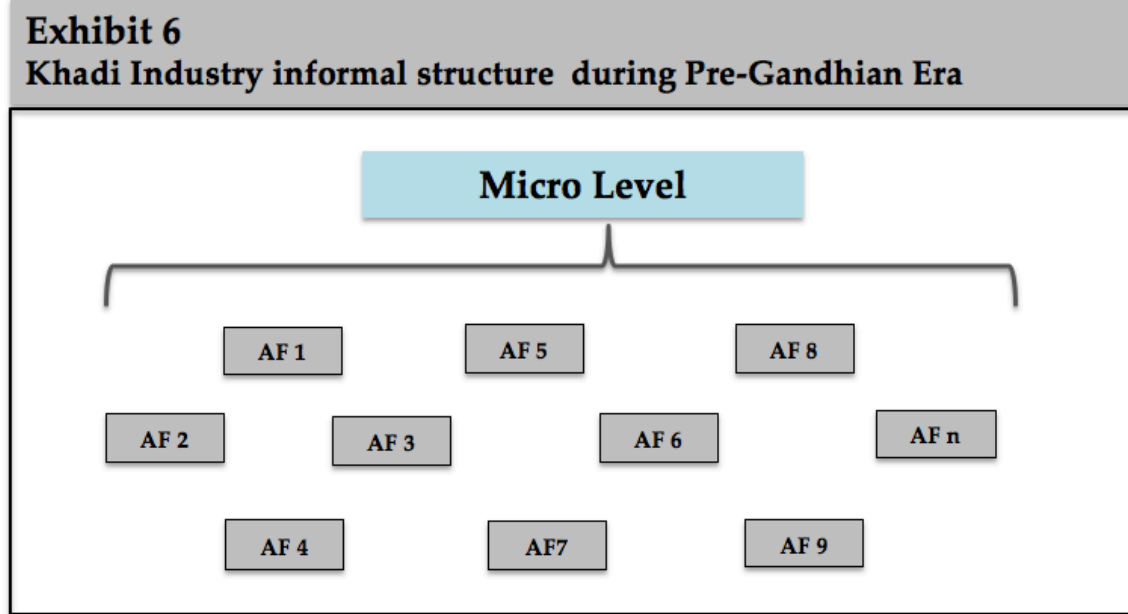
3.2. Expansion of the khadi industry and changes in institutes

3.2.1. Expansion during the Pre-Gandhian Era (PGE)

The beginnings of the khadi institutes (KIs) can be traced back to the villages of India. During the Pre-Gandhian Era, the khadi industry was not structured officially. The occupation of villagers was divided into two categories (a) farming and artisan work, and (b) other village professions such as pottery, leatherwork, etc (Baden-Powell, 2003; Dixit, 2010). Khadi institutes belong to category (a) mentioned above. Many families of villagers were engaged in two different but interconnected occupations, farming⁴⁹ and artisan work. The double occupation was necessary as it was difficult to support their households with only one job. Artisanal work was considered a source of additional family income. Furthermore, they had the possibilities both to sell the raw material such as cotton grown on their farms and to use it for khadi production. Since cotton farming is also dependent on climatic conditions, the second source of income (artisan work) provided these families with some degree of security in difficult times. Additionally, in this line of a family business, women were also able to take care of their children, household duties, and contribute to their family's income (Dixit, 2010; Kumarappa, 2010). During critical situations, they also borrowed money from local moneylenders. Artisan families (AFs) used to sell their homemade khadi products directly in the market. A part of their earnings was used to repeat the same process. It is in this way that the first form of khadi institutes came into existence. This thesis refers to the earliest form of khadi institutes as artisan families.

⁴⁹ Farming was mostly undertaken by those families who owned land. Sometimes, they used to work in others' fields.

Khadi industry structure: In the Pre-Gandhian phase, the khadi industry had only one level. It is called the micro level in this thesis. There was no formal structure, and in each region, artisan families (AFs) worked independently, though they were connected through informal business or social relationships. All the artisan families located in different regions of India could be positioned on this micro level, as illustrated in Exhibit 6.



Source: Author

During the Pre-Gandhian Era, khadi institutes (KIs) evolved in the form of artisan families (AFs), which operated at the micro level. There was no formal structure to the khadi industry during this time.

3.2.2. Expansion during the Gandhian Era (GE)

During the Gandhian era, the khadi industry was properly structured. The first khadi institute (KI) came into existence through the initiative of Gandhi. There were two main goals behind the formation of khadi institutes. Firstly, to gain complete freedom from foreign rule. Secondly, to make the Indian economy self-reliant. ‘Gandhiji wanted to build the edifice of India’s independence on this very foundation’ (Dasgupta, 2012; pp.188). To achieve these two goals, the revival of the village economy was essential. There was also a requirement for a proper industry that could compete with both foreign and domestic mills and their machine-made goods. These goals were crucial in lowering unemployment rates in the country, thus, the role of khadi emerged.

Establishment of the first khadi institute (KI)

The first khadi institute evolved in the shape of a small non-governmental institute. It was formed with 20-22 workers in the city of Ahmedabad in Gujarat, on 17 June 1917. It was called *Satyagrah Ashram* and was also known as the Gandhi Ashram, Harijan Ashram, and Sabarmati Ashram⁵⁰ (Dixit, 2010). This khadi institute had three main objectives: to push the country down the road of self-sufficiency and economic independence, to use khadi as a symbol of independence, and to use the khadi industry as a medium to unite the nation. In this institute, 'The charkha (spinning wheel) was reintroduced and promoted through training programs. It was to be the alternative to industrialized mass production affected through English and Indian mills' (Gonsalves, 2010; pp. 62). This khadi institute worked like a laboratory. It became famous for different kinds of experiments and innovations, competing with mills and machine-made products. In the words of Lisa Trivedi, 'Ashram's purpose was to learn how to serve the motherland. It was a human laboratory whose aim was to teach people how to live as equals and without fear.....Additionally, members were expected to pledge to live by *Swadeshi*, and developing a viable *Swadeshi* program was the ashram's top priority' (Trivedi, 2007; p.7). In this quotation, *Swadeshi* is used in the context of all the programmes or products that were made in the country and by the citizens of the country. Machine-made and foreign clothes were boycotted. Khadi institutes (KIs) focused only on hand-spun and hand-woven clothes.

Expansion and Division of work in the first khadi institute: As mentioned above, the main occupations of villagers were divided into two main groups: (1) artisan work and farming, and (2) other village professions. Based on these divisions, the first khadi institute tried to integrate both khadi and village industry work into one space. This model reflected the village economy. It was built in such a way that khadi institutes (KIs) work could be aligned with that of family businesses, without making major changes in the working and living style of rural people. The systematic structural beginnings of both khadi and village industry began from this first khadi institute. It followed a simple model. The first khadi institute expanded and established several other sub-units in distant locations. Thus during the Gandhian Era the first khadi institute gradually became the main unit⁵¹ (MU), which had several sub-units (SUs). The main unit of the institute was engaged simultaneously in the production of both khadi and village products⁵². Work was also outsourced to the artisans based in other villages or working from home.

⁵⁰ Sabarmati ashram - <http://www.gandhiashramsabarmati.org/en/>

⁵¹ The terms Main unit (MU) and Sub-units (Sus) are used for the explanation purpose in this thesis.

⁵² For this thesis, the discussion will be limited only to the khadi industry.

Khadi production involves several processes. Two of these are spinning (the process of yarn formation) and weaving (the process of textile formation); both are done by hand. At this stage, the main unit made several efforts to engage the artisan family businesses of that region. Its main objective was to support artisans, artisan families and artisan villages and increase the khadi development and sale. In the beginning, khadi institute employees working in the main unit used to distribute the raw material to the artisans' houses. For instance, hand-carded cotton (*puni* in Hindi) was distributed directly to the spinners.

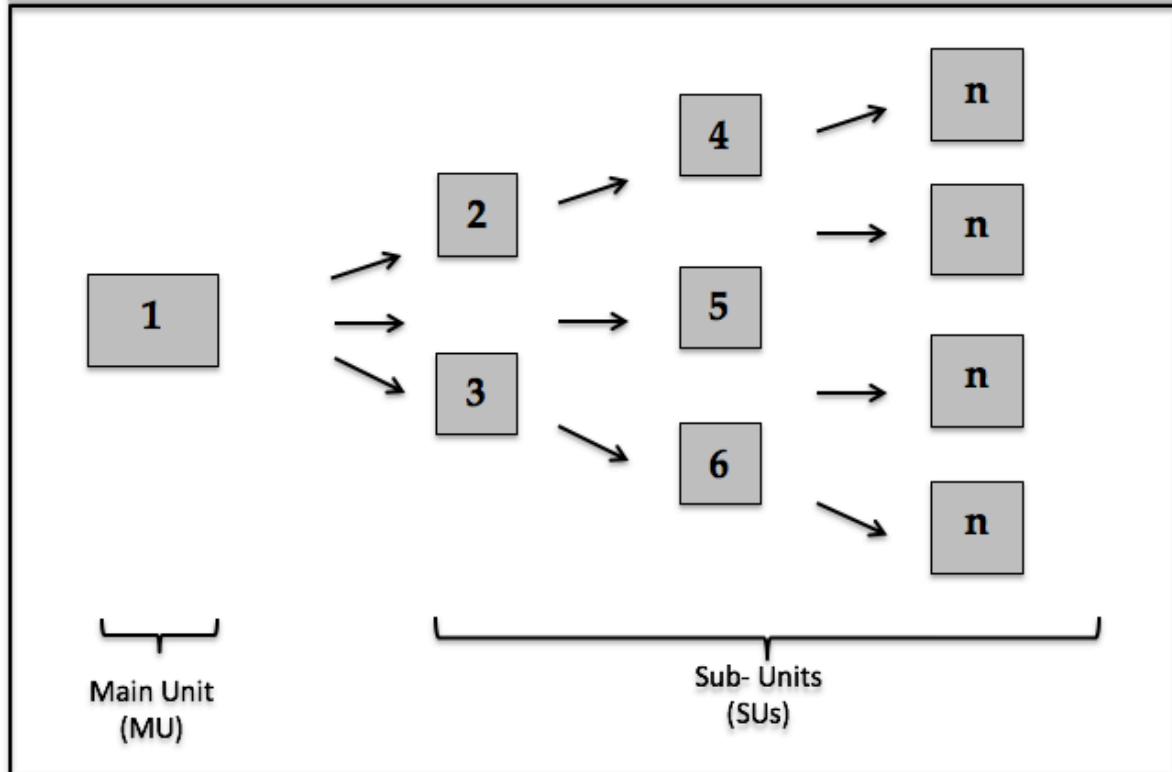
Spinners then used to bring the hand-spun yarn back to the main unit. It was then distributed by the main unit (MU) workers to the weavers. The finished work in the form of khadi cloth was then brought back to the main unit by the weavers, and in exchange they received wages. All the khadi products were collected at the main unit. According to demand, they were cut, stitched, embroidered, or dyed. After packaging and labelling, the finished products were sold by the MU workers. Although raw material was initially collected by the artisans directly from the MU, later several depots (contact point for the artisan families) were established near the artisan villages so that they did not have to travel far. Most of the work was done by the artisan families (AFs) in their own homes. Similarly, in the beginning, khadi institute workers used to sell khadi by covering long distances between homes and markets on foot or their bicycles. The raw material was also distributed in the same way. Later, khadi shops or showrooms (*gramodhyog*) were opened, and several other modes of advanced transportation were used for logistic purposes (Dixit, 2010).

Challenges in the establishment of the first khadi institute: The first khadi institute of Gandhian era faced several challenges in the beginning. For example, (1) after the crisis faced by the khadi industry in the last stages of Pre-Gandhian Era, khadi almost vanished from the market. Artisans had moved to other professions. Consequently, to find the skilled artisans was a big challenge during the Gandhian Era. (2) One of the objectives of the main unit (MU) was also to make sure that even the raw material distributed to the artisans was hand-picked, hand-carded, and hand-spun. Mill-made products were completely prohibited because khadi was also used as a symbol of freedom and self-reliance. But during this phase many artisans started buying cotton from the mills, which produced machine-spun cotton (Dixit, 2012). To change this practice was also a challenge. (3) The first khadi institute also faced the challenge of promoting and increasing the sale of a product which had been almost forgotten. The market was flooded with sophisticated mill-made clothes, and the customers had become habituated to buying those products.

It was a challenge to change the buyers' habits and mould their demand toward khadi products, as they were considered old fashioned and the quality was considered rough in comparison to other textile products available. Several efforts were made to overcome these challenges. For instance, main units (MUs) became the point of contact for all the people connected with the development of khadi. They also made tremendous efforts to develop training centres so that people could learn related skills. Thus, the first experimental project at the MU began. 'Gandhi's Swadeshi program at satyagraha ashram reveals his debt to Indian constructivism. His early ashram experiments, too, had included the weaving of cloth for the needs of the ashram community, and one of the first and largest structures built in the Satyagraha Ashram was the *vanatshala*, or weaving shed, whose swift construction and size reflect the significance of Swadeshi as a priority of the ashram' (Trivedi, 2007; p.7).

Expansion of the khadi industry and institutes

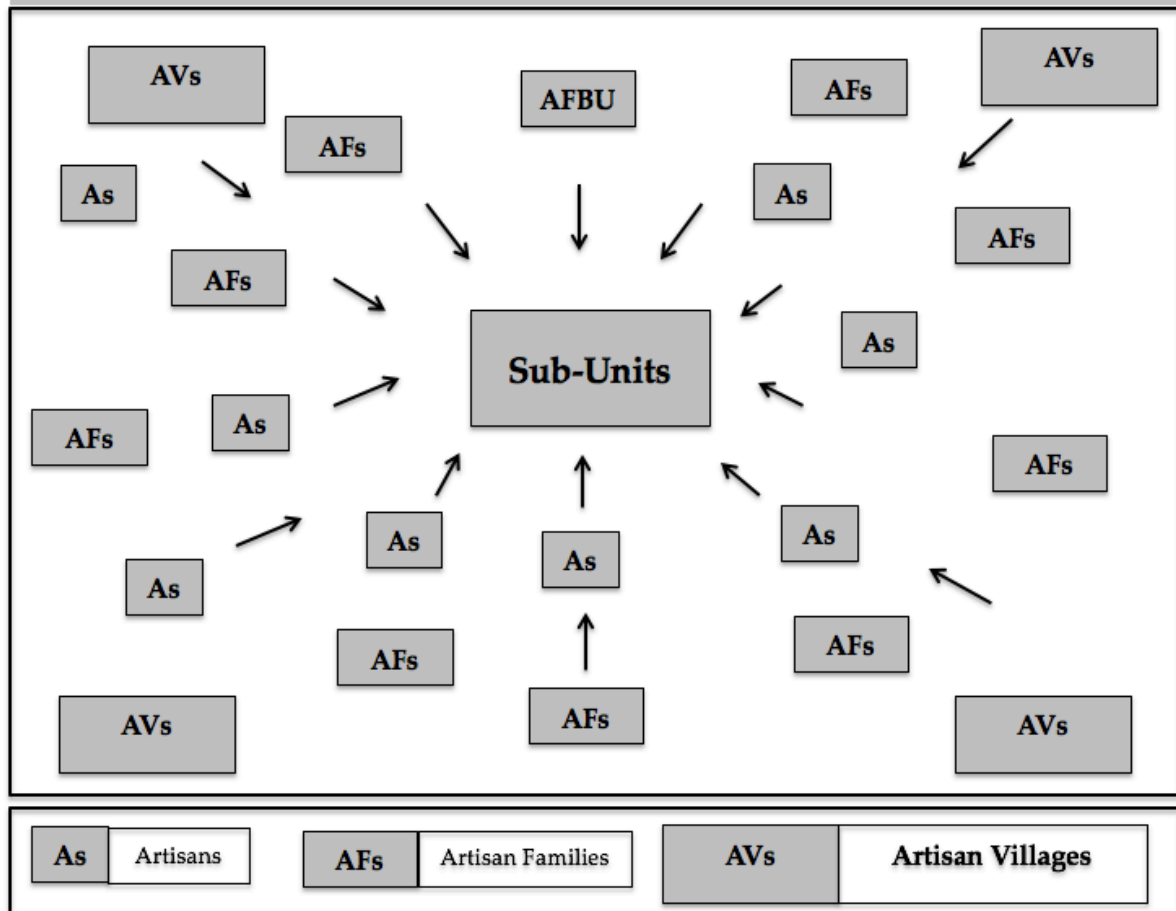
The first khadi institute (KI) grew rapidly, but this rapid development also gave birth to geographical challenges. Artisans were scattered in different states, towns, and villages all over the country. Supervision, control, and allocation of resources were becoming quite a challenge. Thus, a unifying strategy was applied. Competent people who were closely connected or trained at the first institute were given the task of setting up khadi institutes in different regions, and later, leading them. They chose the khadi institutes locations carefully, selecting areas where several artisan families were based, such as in one village. Sub-units (SUs) were formed with the support of the locals. The rapid expansion of KIs took place immediately after the proper establishment of the first khadi institute. As illustrated in Exhibit 7, several khadi institutes (KIs) were formed from the first khadi institute (KI) in distant locations, in varying sizes. The growth of KIs was exponential. By the end of the Gandhian Era, most of the states, towns, and villages in the country had khadi subunits.

Exhibit 7**Expansion of khadi institutes and formation of sub-units**

Source: Author; (based on the description given by Dixit, 2010; Trivedi, 2007)

Sub-units (SUs) were closely connected with the main unit (MU), following the same rules and principles. Their main responsibility was to bring together the individual artisans, artisan families and artisan villages of their region under one common umbrella. The families were in close contact with the sub-unit, which gave them a regular source of part-time employment, the required direction and training (Trivedi, 2007), as well as support. The process of this unification originated in the main unit of the first khadi institute when it started working closely with the family businesses located near the institute. Sub-units were engaged in managing, supervising, providing employment opportunities to artisans, and promoting the sale of khadi. Although they supported both the khadi and village industries, this thesis focuses only on the khadi industry. The main working style of family businesses did not change in this phase. They continued to produce khadi in the same manner as in the earlier stage, but at this stage, they were unified and brought under one common control. Subunits (SUs) started working closely with the individual artisans, as well as with artisan villages in that region.

Exhibit 8
Process of centralising the khadi industry work

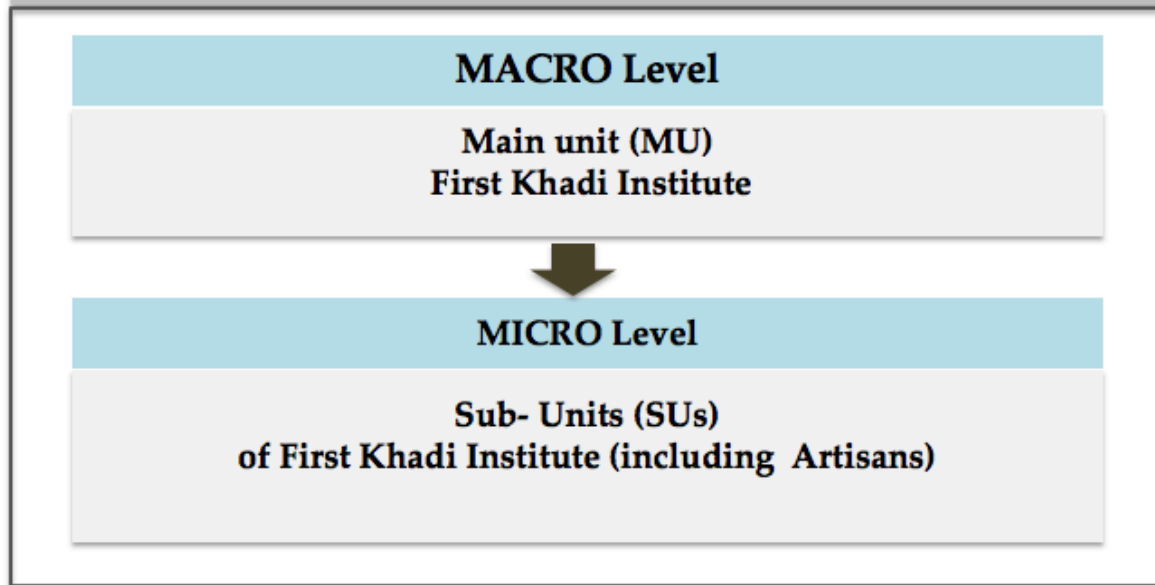


Source: Author; (Based on the description given by Dixit, 2010; Trivedi, 2007)

This process of centralizing the khadi industry is illustrated in Exhibit 8. Through this initiative, the subunits became the central point of contact and it brought all the scattered artisans and artisanal work together. Subunits became the main source of part-time employment for the artisans.

Khadi industry structure during the Gandhian Era

Throughout the Gandhian Era, the khadi industry structure expanded. During expansion, an additional level was added and is referred to as a macro level in this thesis. **(a) Micro level:** The micro level during the Gandhian Era consisted of the khadi institute's (KIs) sub-units (SUs). The joint work of both KI employees and artisans is included in this level. Artisans either used to work from home or used the facility provided by the subunits. The nature of employment was part-time, but it operated like a family business. The main motivation for employees and artisans to work was both employment and the freedom of India from foreign rule. **(b) Macro level:** The main unit (MU) of the khadi institute is positioned at the macro level.

Exhibit 9**Expansion of Khadi Industry structure during Gandhian Era**

Source: Author (Based on Field Study and Khadi Literature)

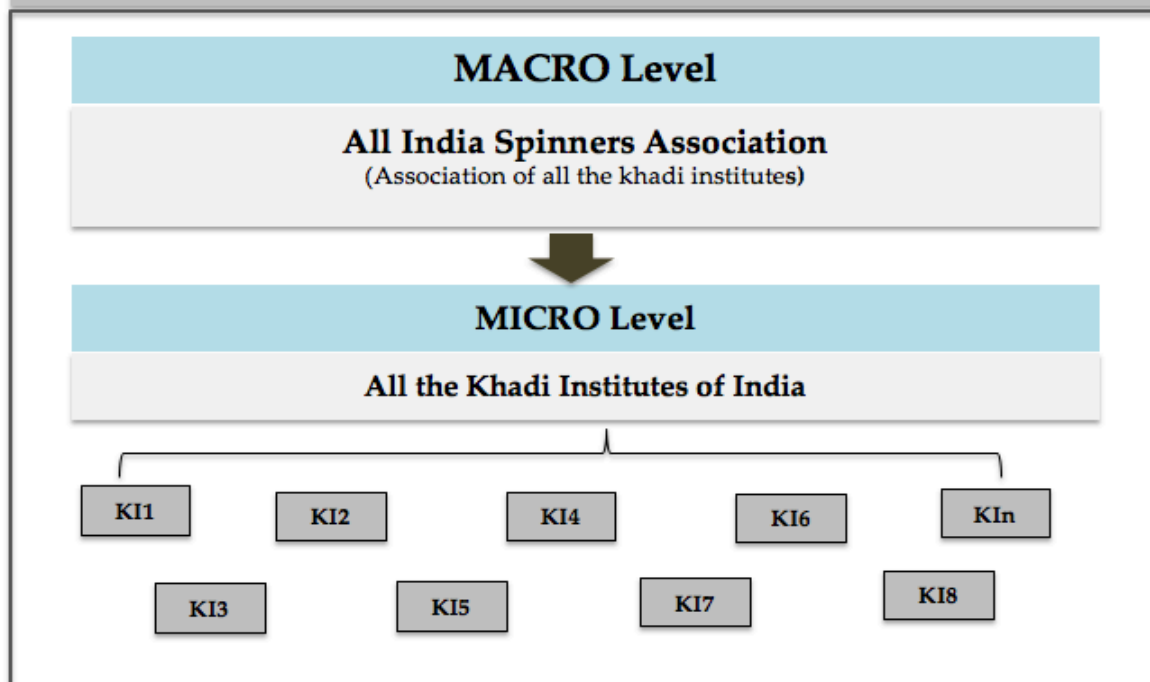
Expansion of the khadi industry led to further changes in the khadi industry's structure

As illustrated in exhibit 9, the first khadi institute eventually became the main unit. It was positioned at the macro level. During this time there were several changes in the khadi industry's structure. The khadi associations were formed. The first khadi institute made substantial progress in a very short period. It became the main headquarter for all other subunits spread across India. The subunits increased rapidly, and eventually, the workload of the main unit also increased, such as training new employees and volunteers. The main unit became the contact point for distribution and collection of raw material and finished products. It also acted as the main platform for discussion of national issues. Several historically important decisions related to the freedom of India were made here.

The expansion of the khadi industry also led to new challenges. The work increased exponentially but the resources were limited. As soon as the subunits started evolving at a rapid speed, it became clear that there was a requirement for another supporting organisation which could share the management responsibilities of the main unit. There was a requirement to work towards the promotion and sale of khadi products, and the management of funds and institutes on a national scale. Thus a long process of establishing a stable khadi association began. It went through several changes during its formation period. This period also reveals the direct connection of the khadi industry and politics.

Some of the major events are described here, (1) In 1917, *Satyagraha Ashram* (the first khadi institute) was fully engaged in the sales, marketing and promotion of khadi, training of the employees, and management of the rapidly increasing subunits. (2) In 1920, when the congress political party of the locals (under foreign rule) embraced the Swadeshi program. Satyagraha ashram became actively involved with the politics. Even in the congress party, one prerequisite for membership of the party was to work daily on the spinning wheel and to use khadi. Before long, differences arose in the opinion of party members related to the potential of khadi as a tool of the freedom movement. Though all united in their belief in the Swadeshi movement, all of them did not make efforts to promote khadi. Thus, the direct role of Congress in the development of the khadi industry came to a halt. This historical event led to the establishment of the proper khadi association. (3) In the first half of 1924, when Gandhi formed an independent association, the All-India Spinners Association. It did not involve Congress directly. (4) In the second half of 1924, Congress again recognised the potential and popular appeal of khadi, because of its rapid development and involvement of mass. Eventually, congress started supporting the first khadi institute, and a new board was formed which was called the All-India Khaddar Board. The All-India Khaddar Board ran smoothly for some time and did substantial work, including funding and forming new institutes. But, it began to face challenges when politicians started to interfere in the work. (5) Finally, in 1925, Gandhi formed another separate association that was independent of any political intervention, called the All-India Spinners Association (AISA) (Trivedi, 2007; Dixit, 2010). Thus, after passing through several challenges the first khadi association was established which worked for a long duration of time.

Exhibit 10 Changes in the Khadi Industry structure during Gandhian Era



Source: Author (based on field study and khadi literature)

As illustrated in Exhibit 10, during this phase there were significant changes in the khadi industry structure. **(a) Macro Level:** At the macro level, the All India Spinners Association (AISA) was positioned. It had representatives from different backgrounds, ranging from politicians to freedom fighters. It worked closely with the first khadi institute. **(b) Micro level:** The association work and the khadi institute work was separated. Thus, the first khadi institute was positioned at the micro level, along with all other khadi institutes. Each khadi institute had their sub-units. The first khadi institute was still given the same importance. In this phase it acted more like a training centre and supervisor of all the other khadi institutes. An effort was made to make each khadi institute fully trained and self-dependent, to reduce the work load of the main centre (the first khadi institute).

During the Gandhian Era, the khadi industry received considerable support from local political parties. It also endured strong opposition from the ruling British administration. Despite challenges faced by the khadi institutes, like mismanagement, inadequate allocation of resources, and corruption, its growth and development were consistent in this period. Both suppliers and customers were united in thinking. They considered growth of khadi as a way out for achieving country's independence without any violence. People invested their time and labour, not to gain profit but to achieve independence and self-reliability and to generate employment opportunities for locals.

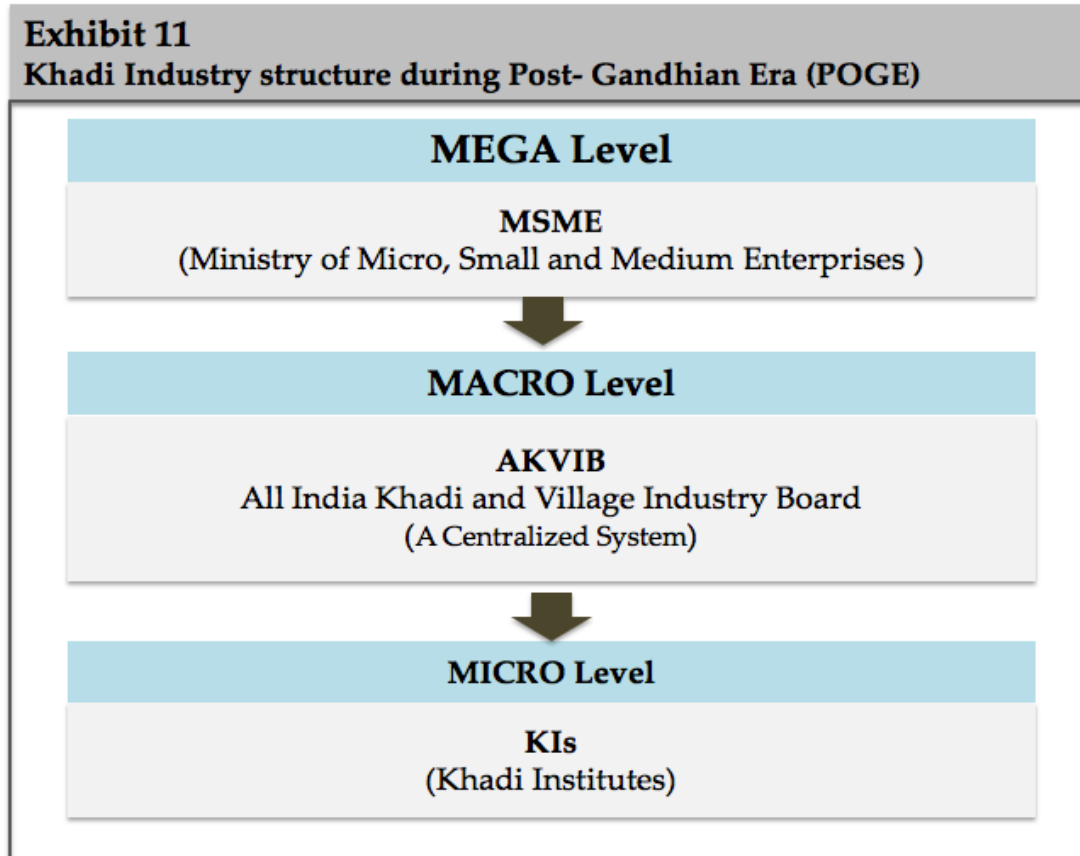
The khadi industry was given a proper systematic structure, unifying scattered artisanal work and giving a proper direction. Artisans were now able to sell their products easily with the support of newly formed khadi structure. Demand increased many times over. By the end of this stage, the khadi industry had a proper working structure, strong leadership, and highly efficient sub-divisions. Khadi business continuously developed, many subunits (SUs) were formed, processes were improved, and more people were engaged in the mass movement. The khadi business curve moved from trough to peak.

3.2.3. Expansion during the Post-Gandhian Era (POGE)

During the Post-Gandhian Era (POGE), the khadi industry further expanded. India gained independence (in 1947). This led to the formation of the official structure of the khadi industry by the Government of India (GoI). An independent government was formed under the first prime minister Pandit Jawahar Lal Nehru. Congress, the political party that assumed power after independence, decided to promote the khadi industry. Khadi business development was also given prominence in the five-year plan. Several new khadi institutes (KIs) were formed, and the older ones received substantial support and funding. Khadi industry expanded, and a solid foundation of governmental structure came into existence. But, in the beginning of the Post-Gandhian Era, Gandhi, main leader of the khadi industry was assassinated. Therefore, under excellent leadership at the beginning of this phase, khadi institutes were in a stable state, and khadi business was growing. But later, the overall status of khadi industry was weakened. There were several factors which weakened the status of the khadi industry. To summarize, although this phase saw growth and development in several areas of the khadi industry, overall it was a weak period. The khadi business curve moved downwards from peak to trough. Khadi institutes were in a stable and progressive state at the beginning of this phase, but slowly they started to weaken. By the end of this phase, several khadi institutes shut down and again the khadi industry declined.

Khadi industry structure during Post-Gandhian Era (POGE)

In this phase, some changes were made to the structure of the khadi industry. As illustrated in Exhibit 11, it consisted of three levels: mega, macro, and micro. The expansion of one further level will be called the mega level in this thesis.



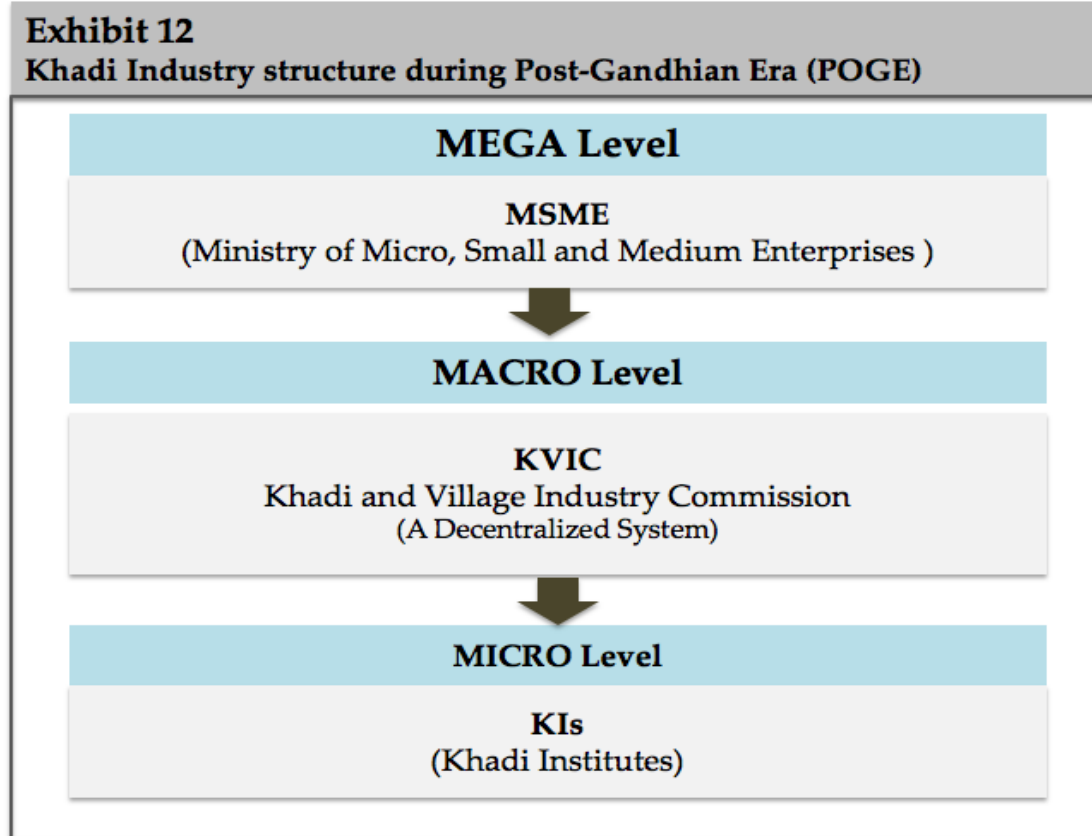
Source: Author (Based on Field Study and Khadi Literature)

(a) Mega level: The mega level, which came into existence in this phase, consisted of the Ministry of Micro, Small and Medium Enterprises (MSME) under the Government of India. This was considered the highest level, which controlled and supported all the lower levels of the khadi industry. In the Post-Gandhian Era, the khadi industry had a proper official hierarchical structure. **(b) Macro level:** At the macro level in 1953, the Khadi and Village Industry Board (KVIB) was formed. The All India Spinners Association was abolished. KVIB set offices up in different states, but they were fully controlled by the KVIB head office. It followed the centralized system. **(c) Micro level:** In the micro level were all KIs. The First Khadi Institute was still given the same importance. KIs were registered by the KVIB office.

They continued to work as they had earlier as non-governmental organisations (NGOs). They were supervised and hugely supported by the macro level in the centralised system developed by the new government in Independent India.

Changes in the Khadi industry structure during Post-Gandhian Era

Major changes took place at the macro level because of the increasing problems occurring in the centralized system. There was a massive number of KIs scattered across India, which became challenging to manage in a centralised system. Thus, as a solution to this problem, the MSME decided to apply the decentralization system.



Source: Author (Based on Field Study and Khadi Literature)

(a) Mega level: There was no change at the mega level. The MSME were positioned in this level. **(b) Macro level:** There were major changes at this level. The Khadi and Village Industry Commission was set up (KVIC). The KVIC headquarters was set up in Mumbai and the state offices were set up in all states of India. **(c) Micro level:** KIs were positioned at this level. The first khadi institute was still given the same importance. KIs were registered by the state's KVIC offices, but they worked as NGOs. They were supervised and supported by the macro level in the centralized system developed by the new Government in Independent India.

Status of khadi institutes (KIs) during Post-Gandhian Era

In the Post-Gandhian Era, khadi institutes (KIs) were given the official title of *khadi sansthas*⁵³. They were registered, controlled, and supported by the Government of India (GoI), but they ran independently. Although the khadi industry structure changed, the work in the KIs at the micro level did not change substantially. KI employees and artisans worked closely together. Employees were paid monthly by the KI administration office, while the artisans received wages in proportion to the amount of work done. Employees of KIs either worked in the office or the sub-units or the field (artisan villages).

Artisans were given the choice of working at home or in the work sheds⁵⁴ of the KIs just like in the Gandhian Era. KIs worked like non-governmental organisations, which were registered, supervised, and supported by the KVIC and MSME. It is to be noted again that KIs always operate at the micro level and were supported by the higher (macro and mega) levels.

The decline of the khadi industry business and weakening of khadi institutes

The khadi industry business was growing and khadi institutes (KIs) were stable, strong, and developed rapidly at the beginning of this phase in independent India. Production and process quality improved; several new KIs were formed; several training programmes were started; multiple new models of spinning and weaving tools were manufactured; employment increased, and rural areas were uplifted. After this expansion stage within this era, however, once again the khadi industry business started to decline and the KIs weakened. The change in fortune could be attributed to many reasons. Firstly, the khadi industry paid too much attention to the supply side of the production and ignored the demand side. After Independence, customers were attracted to other options available on the market, which were also changing regularly. To their detriment, the khadi suppliers did not make any changes, nor did they accept the fact that khadi also had to compete on the Indian market to survive. This delay caused several KIs to shut down. Enormous amounts of stock began to accumulate in the khadi stores; they were not sold and were eventually destroyed. As a result of these errors, institutes started to weaken financially.

⁵³ *Sanstha* in hindi language means institutes.

⁵⁴ Work sheds were built in the khadi institutes where artisans could work. New spinning machines and weaving machines were placed in the workshops. They were also given the option to work from home.

4. Status of khadi industry and khadi institutes during the revival phase

As discussed in the previous chapter, the khadi industry suffered huge losses towards the end of the Post-Gandhian era. There was an increase in the stock of khadi products, a decrease in demand, and the closure of many khadi institutions (KIs), all bringing the khadi business to a standstill. The industry's slow decline affected not only the khadi business but also the livelihood of artisans. During the same time, the agrarian crisis had further increased the dependency of artisan families on spinning and weaving. The continuous increase in khadi stock, the decline in the sale of khadi and the declining conditions of artisans caused national worry. It became evident that the traditional, low-tech khadi industry was struggling to survive in the high-tech competitive modern market. Thus, policymakers and the upper management of Government of India, mainly in the Ministry of Small and Medium-size Enterprises (MSME), realized that to revive the largest traditional industry of India several efforts on national scales has to be made.

In the foreword to a compendium of the Khadi Reform and Development Programme with Asian Development Assistance, the CEO of the Khadi and Village Industry Commission, J.S. Mishra made a clear statement: "In general, products under this sector are in a disadvantageous position while facing the competition from the similar products of the organized corporate sector. Some of the factors attributed to this situation are lack of innovation, the scale of technology in use, inadequate financial base, and comparatively less skilled artisanship in the KVI sector as compared to the corporate world. In this backdrop, KVIC has been making persistent and determined efforts to bring improvement in the quality of products and use better marketing strategy by adopting brand promotion, quality control and standardization through the implementation of various schemes."

He also mentioned, "To fully realize the significant growth potential of KVI sector in terms of employment generation and enhanced earnings and to ensure that the position aligns with current market need, holistic reform measures are required' (KVIC, 2010). The MSME and the KVIC initiated the beginning of the second revival era by officially reminding the khadi industry (Ministry, offices, and institutes) that the main objective behind its formation was to revive village and khadi industries and improve the conditions of artisans to restore, at least partially, the concept of self-reliance in the rural economy.

Nationwide collective efforts are being made for the revival and reformation of the khadi industry and khadi institutes during the second khadi revival era (SKRE). During this phase, the khadi business has tremendously grown, and several khadi institutes (KIs) were able to strengthen themselves because of this collective, national support. The revival period is currently ongoing in India and is, so far, highly successful. This revival was the result of the joint efforts of all three levels: the mega level (Ministry of Small and Medium Enterprises), the macro level (the Khadi and Village Industry Commission), and the micro level (Khadi institutes). During this phase several other organizations and individuals collaborated with the khadi industry too. This includes the fashion industry, print media, universities, research institutes, NGOs, social workers, politicians, and the business community. Even the average individual was made aware of this crisis through various channels such as newspapers, TV shows, radio programmes, and speeches and was encouraged to contribute to the revival process. The efforts to this end are shown in various articles and reports, such as Bisnoi (1991) and KVIC (2010). The movement is currently in full swing. The khadi style has transformed from traditional nationalist dress to fashion wear; from being seen in political party rallies or offices to being seen in fashion shows and the modern textile market. The khadi business is undoubtedly moving towards further expansion and development.

For the revival of the khadi industry and institutes, the government supported in many ways. For example, 'For this purpose, the Khadi and Village Industry Commission (KVIC) disbursed financial assistance of Rs⁵⁵ 602 crores in the form of grants and loans to 13.88 lakh⁵⁶ khadi producers and 26 village industries employing 26.82 lakh persons during 1986-87. Of this amount, khadi producers accounted for Rs 328.50 crore (55 %) and village industries, Rs 273.65 crore (45%). Its operation has increased sizeably over a decade as indicated by disbursement, i.e., an increase of 14.43% per annum from Rs 156.45 crore in 1977-78 to Rs 602.16 crore in 1986-87. For khadi it increased by 12.30 % and for village industries at 17.70% per annum' (Bisnoi, 1991; pp.1452). Similarly, financial support was given by the Asian Development Bank (ADB) for khadi reforms. A grant of 150 million US dollars was given to KVIC for the revival and reformation of the khadi industry. This khadi reform package aims at making khadi sustainable with greater involvement, enhanced earnings, and improved quality of life for the spinners, weavers, and other artisans.

⁵⁵ Rs - Indian Currency Rupees

⁵⁶ Lakh – In Indian numbering system one lakh equals to one hundred thousand (1 Lakh = 1,00,000)

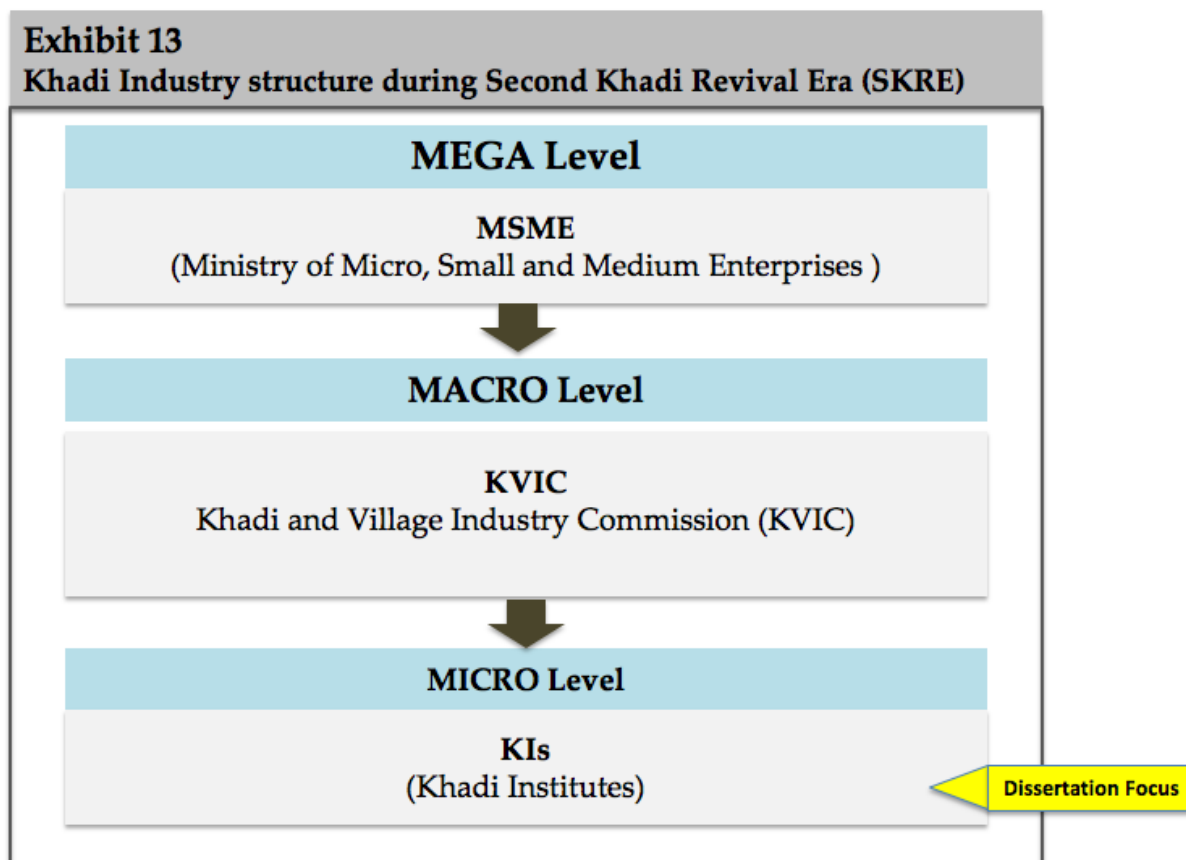
‘Asian Development Bank (ADB) support encompasses overall infrastructure support and capacity building of 300 khadi institutions, setting up a marketing organization in PPP mode for marketing khadi and village products in a professional manner beside the introduction of a khadi mark and other related reforms’ (KVIC, 2010). The MSME and KVIC support the khadi institutes (KIs) in numerous ways through a variety of programmes. These programmes include, market development assistance (MDA), the Interest Subsidy Eligibility Certificate (ISCE), Janashree Beema Yojana (JBY), the Artisan Welfare Fund Trust (AWFT), a scheme under bank finance, the Work Shed Scheme for Khadi Artisans, Enhancing Productivity and Competitiveness of Khadi Industry and Artisans (EPCKIA), the Khadi Reform and Development Programme (KRDP), the strengthening of infrastructure of existing and weak khadi institutions, and assistance for marketing infrastructure (KVIC, 2013; KVIC, 2014; KVIC, 2015; KVIC, 2016). It must be noted that only institutes registered by the Government of India are legally allowed to operate in the Indian market or engage in any kind of market activities, such as the sale of khadi products.

Several other schemes contributed to the ongoing revival and reformation of the khadi industry. ‘Consolidation of the recent developments like improvement in design and quality of khadi, convergence with other Ministries & similar organizations, enhanced targets under the Prime Minister’s Employment Generation Programme (PMEGP) & Scheme of Fund for the regeneration of traditional industries (SFURTI) have shown remarkable results. The scheme product development design intervention and packaging (PRODIP), participation in international exhibitions etc., and had accelerated the overall performance of the KVI sector during the year under report’ (KVIC, 2013; p.9).

Due to these joint efforts, the khadi industry was able to survive, many khadi institutes were saved from bankruptcy, and many khadi institutes have become market leaders, setting high standards for competitors. Though there are still hundreds of weak khadi institutes which require immediate support. The revival process is currently ongoing. Overall, the khadi industry business curve is moving again from a trough towards expansion in this phase.

4.1. Khadi industry structure during second khadi revival era

The khadi industry is massive and unique. Its structure has undergone several changes and enormous expansion while passing through different phases⁵⁷. A systematic description of the complete structure of the khadi industry could not be found in the literature or any industry documentation. Thus, for clarification purpose, the khadi industry is divided into three levels in this thesis: the mega level (Ministry of Micro, Small and Medium Enterprises); the macro level (Khadi and Village Industry Commission), and the micro level (khadi institutes). This thesis focuses on the micro level: the khadi institutes.



Source: Author (Based on khadi industry literature and field study)

Note 1: Exhibit 13 presents a simplified version of the massive khadi industry structure. It is based on information collected during the field study and desk research.

⁵⁷ Four phases of the khadi industry: Pre-Gandhian Era, Gandhian Era, Post-Gandhian Era, and Second Khadi Revival Era.

The three levels of the khadi industry during the second khadi revival era are described below.

4.1.1. Mega Level

Ministry of Micro, Small and Medium Enterprises

The mega level consists of micro, small and medium enterprises (MSME). It is considered as the most powerful level of the khadi industry structure. MSME is one of the ministries of the Government of India (GoI) located in Delhi. The current GoI has been headed by the honourable Prime Minister, Narendra Modi, since 26 May 2014⁵⁸. He leads 26 cabinet ministers and 25 state ministers. The Ministry of MSME is headed by the current cabinet minister, Mr. Giriraj Singh.⁵⁹ During the time period of the author's field study in India (GoI, 2016; Modi, 2016) Minister Kalraj Mishra⁶⁰ was the head of the ministry. Under MSME there are currently 36 million units and it produces more than 6000 products. It contributes to about 8% of Gross Domestic Product (GDP), 45% of the manufacturing output, and about 40% of exports (MSME, 2016; pp.1; KVIC annual report 2014-2015; pp.2). The main functions of the ministry include designing policies, monitoring MSME, and supporting their further development.

MSME is recognized as an engine of growth due to its major contribution in the socio-economic development of India. It is known for its significant contribution to increasing the employment of India (MSME, 2014-15). It is supplying employment to more than 80 million people (MSME report, 2016; pp.1; KVIC annual report 2014-2015). MSME has classified the industries into three categories: micro enterprises, small enterprises, and medium enterprises, as illustrated in Exhibit 14. It is supporting these enterprises in many ways. The exhibit shows that MSME has different classifications according to the investment limit. For example, its limit for micro manufacturing enterprises is Rs. 2.5 million, whereas its limit for the medium service enterprises is Rs. 50 million.

Exhibit 14

Ministry of Micro, Small and Medium Enterprises (MSME) classification

Classification	Manufacturing Enterprises (Investment limit in plant & machinery)	Service enterprises (Investment limit in equipment)
Micro	Rs. 2.5 million / Rs. 25 lakhs	Rs. 1 million / Rs. 10 lakhs
Small	Rs. 50 million / Rs. 5 crores	Rs. 20 million / Rs. 2 crores
Medium	Rs. 100 million / Rs. 10 crores	Rs. 50 million / Rs. 5 crores

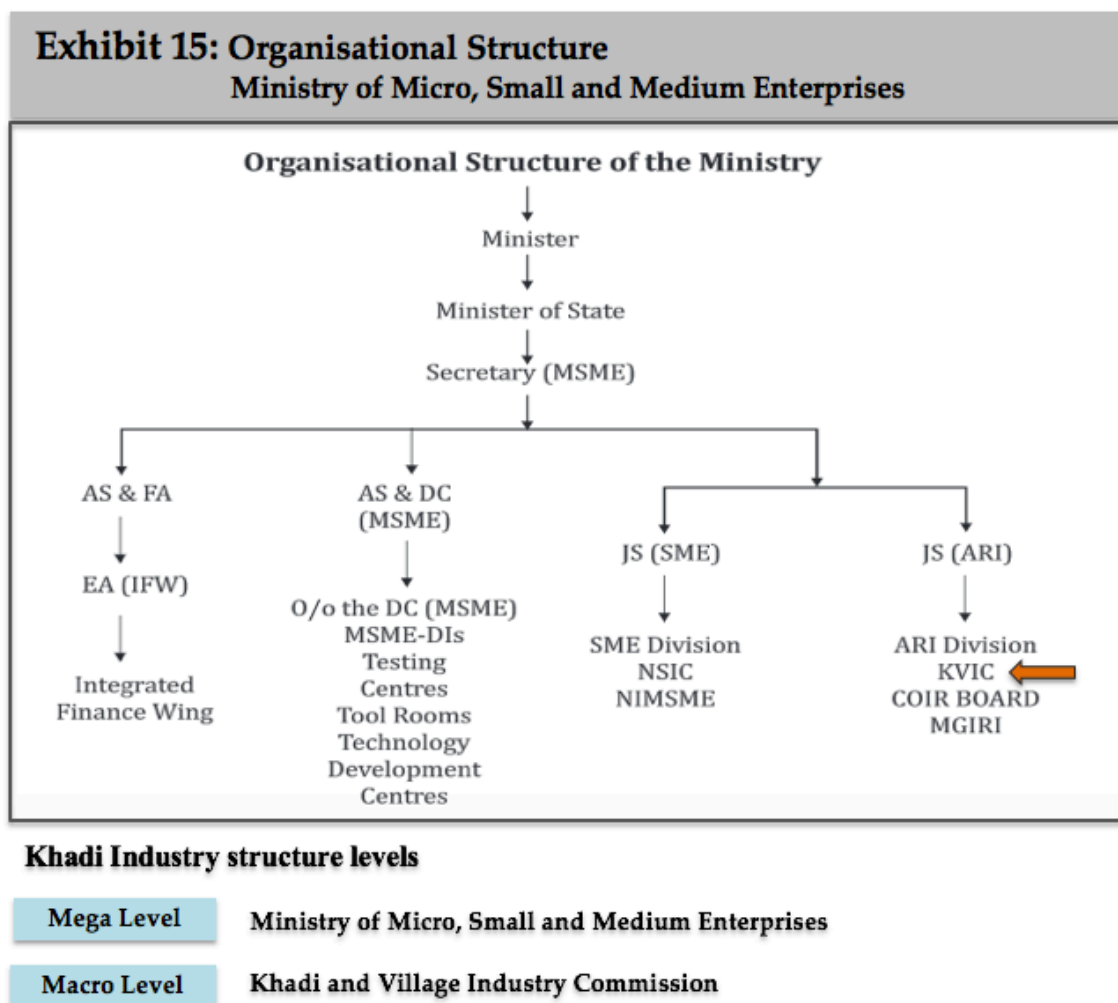
Source: MSME report, 2016

⁵⁸ Official Website – Government of India - <https://india.gov.in/>
Prime Minister website- <http://pmindia.nic.in/>

⁵⁹ Source - Official website (<https://msme.gov.in>) of Ministry of Micro, Small and Medium Enterprises (MSME).

⁶⁰ Mr. Kalraj Mishra (office tenure, 26 May 2014 – 31 August 2017) was the minister of MSME during the field study in India.

The organizational structure of the mega level of the khadi industry, the Ministry of MSME is illustrated in Exhibit 15.



Source: MSME Annual Report 2015-2016; pp. 4.

In the organizational structure of the ministry, the head of the MSME is a minister appointed by the Government of India (GoI). He is supported by the Minister of State and Secretary of MSME. The Secretary is the head of several divisions. One of the head's divisions (see 3.2 below) is responsible for khadi and village industries.

Division 1: Additional Secretary (AS) and Financial Advisor (FA)

Division 2: Assistant Secretary (AS) and Development Commissioner (DC)

Division 3.1: Joint Secretary (JS) of Small and Medium Size Enterprises (SME)

Division 3.2: Joint secretary (JS) of Agro-Rural Industries (ARI)

In Exhibit 15, ‘The implementation of policies and various programmes/schemes for providing infrastructure and support services to MSMEs is undertaken through its attached office, namely the Office of the Development Commissioner {O/o DC (MSME)}, National Small Industries Corporation (NSIC), Khadi and Village Industries Commission (KVIC), the Coir Board, National Institute for Micro, Small and Medium Enterprises (NI-MSME), Hyderabad and Mahatma Gandhi Institute for Rural Industrialization (MGIRI), Wardha a society registered under Societies Registration Act, 1860’ (MSME, 2015-2016; pp.3).

It is beyond the scope of this thesis to explain each division of the MSME in detail. In this dissertation, the focus is specifically on the khadi industry, which is a part of the KVIC. In Exhibit 15, it is positioned on the second level in Division 3.2: the Joint Secretary (JS) of Agro-Rural Industries (ARI).

4.1.2. Macro Level

Khadi & Village Industry Commission (KVIC)

In the hierarchy of the khadi industry’s structure,⁶¹ the macro level is located between mega and micro levels. The KVIC is positioned at this level. The KVIC is a statutory organization of the Ministry of MSME. It is connected closely with khadi institutes (KIs). KVIC is engaged in the promotion and development of khadi and village industries (KVIs). Its main goal is to supply employment opportunities in rural areas to strengthen the village economy (MSME, 2016). ‘KVI programmes are implemented through 33 states Union Territory Khadi & Village Industry Boards, 4,443 registered institutions, bank/financial institutions and more than 6.27 lakh entrepreneurial units under REGP & PMEGP’ (KVIC Annual Report, 2014-2015; pp 6). It has over 7,050 retail sales outlets, and 26 public sector banks with a network of more than 50,000 branches spread all over the country (KVIC, 2013).

The main responsibility of the KVIC⁶² is to manage and support the khadi institutes operating at the micro level. The KVIC’s current (2016) departmental infrastructure includes: (a) 1 central office (Mumbai); (b) 6 zones (North Zone, Central Zone, East Zone, North East Zone, South Zone and West Zone). Each zone consists of several state offices. (c) Thirty-four state/divisional offices all over the country. Each state has one head state office and several other divisional KVIC offices in different districts. (d) Additionally, it has 18 departmental and 23 non-departmental training centres, several accredited training centres, 10 departmental sales outlets and 6 central silver plants.

⁶¹ Khadi industry structure is illustrated in exhibit 13.

⁶² The details of the KVIC’s operation is explained in chapter 4 of this thesis.

Formation of Khadi and Village Industry Commission (KVIC)

The formation of the KVIC began during the Gandhian Era when the expansion of the khadi industry was taking place. It went through several changes⁶³. During that time, khadi and village industries (KVI) were being promoted by the All India Spinners Association and the All India Village Industry Association. After Gandhi's assassination, freedom fighter Vinoba Bhave adopted an integrative approach and merged all constructive programmes and organisations related to KVI into one umbrella organization, which was called *Akhil Bharat Sarv Seva Sangh*. Later, the Government of India (GoI) assumed responsibility for the promotion of these industries and brought them into the planning process with the advent of the planning era and the establishment of a planning commission (information retrieved from the discussion with the KVIC employee Mr. G. Hussain on 3rd Jan 2017, time: 08:45 am). The All India Khadi & Village Industries Board (AKVIB) was set up in 1948. During the decentralization process, in 1956, the Khadi and Village Industry Commission (KVIC) was formed (Parthasarathi, 1956; Trivedi, 2007). 'KVIC was established under an act of parliament (No. 61 of 1956), and as amended by Act No. 12 of 1987 and Act. No.10 of 2006' (KVIC Annual Report, 2014-2015; pp.4). 'Parliament ratified the KVIC in 1956 and, in the following year established an authority whose task was to make the craft economically self-reliant, to ensure its employment, and to guarantee the saleability of its products. In other words, it was to defend it against the depredations of modern industry' (Bauer et al, 2006).

The process of KVIC formation is summarized in the table below.

Exhibit 16: Development of Khadi and Village Industries Commission (KVIC)	
YEAR	Key Events
1923	Development of All India Board under the Indian National Congress by Gandhi
1925	Setting up of the All India Spinners Association (AISA) ⁶⁴
1935	The All India Village Industries Association (AIVIA) was formed
1946	The Govt. of Madras sought the advice of Gandhiji and set up a Department for Khadi.
1948	In 1948, right after independence, the GoI recognised the role of rural cottage industries in its Industrial Policy Resolution. As a result, the constituent assembly included cottage industries. As mentioned in Article 43 of the GoI, they were included among the directive principles of the constitution.
1953	Following these recommendations, the GOI set up the All India Khadi & Village Industries Board in January 1953 (AIKVIB).
1956	KVIC was created by Act of Parliament No. 61
1989	Amended by parliament
1994	Amended by parliament
2006	Amended by parliament

Source: KVIC Annual Report 2013

⁶³ This point has been discussed earlier in chapter 3.

⁶⁴ All India Spinners Association (AISA)⁶⁴

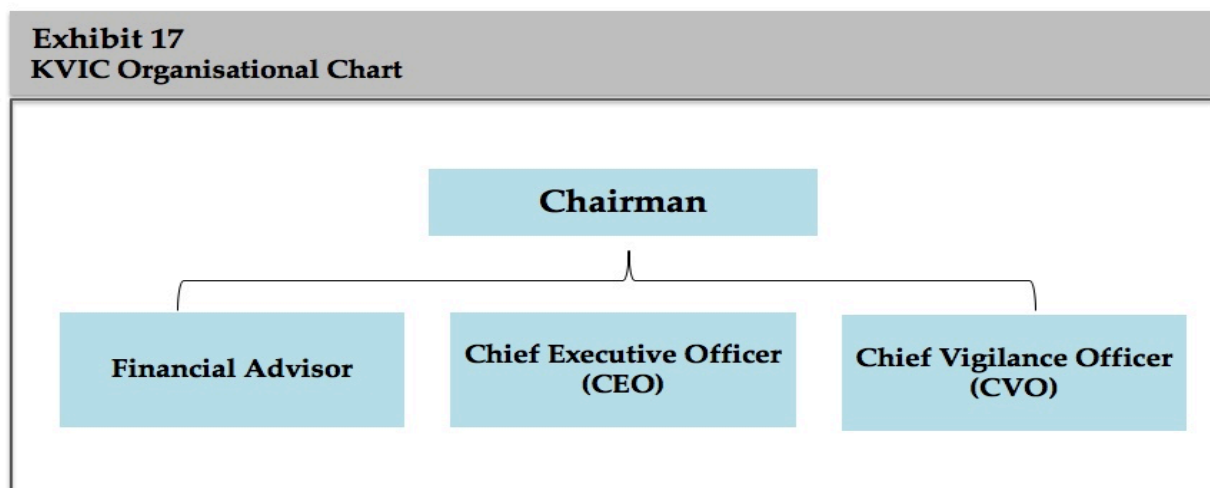
(in hindi language - Akhil Bharat Charkha Sangh)

Responsibilities of the KVIC

The main responsibilities of the KVIC include planning, promotional activities, organisation, building up reserves of raw material supplies, implementation of programmes, and release of financial assistance for the development of the khadi industry. It also involves assisting in all activities related to production, sales and marketing of KVI products, undertaking studies for the KVI sector, encouraging and promoting research in the technology used in the KVI sector, including non-conventional energy, and providing assistance for the development and upgrading of designs, prototypes, and other technical information, including quality assurance (KVIC Annual Report, 2014-2015; pp.5 and 6). The KVIC has three main objectives: its social objective is to provide employment in both rural and urban areas; its economic objective is the production of saleable articles; its wider objective is to create self-reliance in the people and develop a strong rural community spirit (KVIC, 2016). These objectives are achieved through implementation of KVI activities at a low per-capita investment (KVIC, 2016). The focus of this dissertation is solely on the khadi industry.

Organizational structure of KVIC

The head of the KVIC is a chairman. Under him are the positions of Financial Advisor (FA), Chief Executive Officer (CEO), and Chief Vigilance Officer (CVO). Each officer is responsible for several other divisions. The organizational structure of the KVIC is illustrated in Exhibit 17.



Source: KVIC Official Website (<http://www.kvic.org.in>). Year-2016

The KVIC's Chair is Mr. Vinay Kumar Saxena, the FA is Mrs. Usha Suresh, the CEO is Mr. Arun Kumar Jha, and the CVO is Mr. Mohit Jain. It is beyond the scope of this thesis to discuss the details of each division (KVIC, 2016). **Note:** The author has augmented her basic understanding by asking KVIC officials verbally during her field study.

KVIC Divisions: KVI

The KVIs include two types of industries: village industries and khadi industries.

(a) A village industry is defined as ‘an industry located in rural area, which produces any goods or renders any services, with or without the use of power. The Act adds that the fixed capital investment per head of an artisan or worker should not exceed one lakh rupees in plain areas and one lakh fifty thousand rupees in hilly areas’ (KVIC Annual Report 2014-2015; p.131; MSME, 2016; p.9). Some examples of village industries include work done by carpenters, cobblers, blacksmiths, and potters.

(b) A khadi industry can be defined as an industry located in both rural and urban areas that produces khadi goods or renders services without the use of electrical power (KVIC, 2015; MSME, 2016; Kumarappa, 2010; ADB, 2010; Kulkarni, 2012; Dixit, 2010). KVIC offices are responsible for the registered khadi institutes in their area.

Khadi is considered a national heritage and more than just a product, closely linked with patriotism and national history. Although village industries are frequently referred to in this context, the focus of this thesis is only on the khadi industry. Khadi and village industry work and products are different from each other but cannot be separated from each other completely because of their strong links, common beginnings and shared characteristics. Both are labour-intensive industries which are making efforts to increase employment and develop the rural economy, and both involve artisans. In an unstructured form, KVIs have existed since the Pre-Gandhian Era (PGE). In the last stage of Pre-Gandhian Era (PGE), the KVIs suffered enormous loss. They were on the verge of extinction when Gandhi and his followers brought together all the people involved in these industries. They applied multiple innovative strategies to revive this industry during the First Revival Era. As a result, both these industries were revived together⁶⁵. Even during the Post-Gandhian Era (POGE) the industries were not separated because of their strong links. Together, they became part of the MSME and the KVIC. This phenomenon has continued in the same manner even in the Second Khadi Revival Era. A comparative performance of village industries and khadi industries between 2012 and 2016 is illustrated in Exhibit 18.

⁶⁵ For details about Gandhian Era and khadi industry expansion refer to Chapter 3.

Exhibit 18: Performance of khadi and village industries

YEAR	PRODUCTION (Value in ₹ crore)		SALES (Value in ₹ crore)		CUMULATIVE EMPLOY- MENT (in lakh persons)	
	KHADI	V. I.	KHADI	V. I.	KHADI	V. I.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2012-13	761.93	23262.31	1021.56	26818.13	10.71	114.05
2013-14	811.08	25298.00	1081.04	30073.16	10.98	119.40
2014-15	879.98	26689.39	1170.38	31965.52	11.06	123.19
2015-16*	903.25	26964.80	1218.04	36424.20	11.06	143.78

*upto 31 January 2016

Source: MSME Annual Report, 2015-2016; pp.54

Value: Rs in crore; Employment: In lakh persons

Exhibit 18 shows that production, sales, and employment in village industries are higher than in the khadi industry. Despite their common characteristics and background, no effort has been made to combine the khadi industry with village industries.

This is because khadi has a special position in the country and is considered the heritage of India. It is not only considered a product, but it is perceived as a way of thinking.

Most of the KIs are engaged in the production of both khadi and village industry using the common infrastructure and resources.

4.1.3. Micro Level: Khadi Institutes (KIs)

In the Second Khadi Revival Era, the micro level consists of khadi institutes (KIs). These are positioned at the third level of the khadi industry structure. ‘The khadi sector is characterised by decentralised production and selling by over 2230 khadi institutes (KIs) through their 7050 outlets spread across India. Khadi institutes are the backbone of the sector and they provide employment to 10.1 million rural artisans in the country’ (KIVC, 2015; KVIC, 2016). The focus of this dissertation is on the micro level of KIs. KIs are spread across the country. ‘Khadi institutes continue to be major players in khadi programme, mainly because of the composite nature of khadi activity i.e. right from the procurement of raw materials to spinners, weavers and marketing of producers is difficult to carry out by single individual’ (KVIC 2013; p.45). KIs produce products made of khadi. ‘Khadi means any cloth woven on handlooms in India from cotton, silk or woollen yarn hand spun in India or from a mixture of any two or all of such yarns’ (KVIC Annual Report, 2014-2015). This is the official definition of khadi mentioned in the Khadi and Village Industries Commission Act, 1956 (No. 61 OF 1956) and amended on 22 March 2006.

Differences between mega, macro, and micro level

The khadi industry has three main levels: mega (Ministry of MSME), macro (KVIC) and micro level (KIs). The offices at all three levels are part of the same khadi industry, but there are many differences between them. The most significant differences are: (1) The offices in the upper two levels, macro and mega levels, are government offices. MSME and KVIC are government offices. The KIs at the micro level are registered by the Government of India,⁶⁶ but they operate like a non-governmental office. They are not a government office. (2) Employees working in the MSME and KVIC receive salaries and other benefits directly from the Government of India. KIs' employees' monthly salaries are from the institutes and artisans are paid by the institute according to the amount of work done they complete. (3) Production takes place only in the micro level, at the khadi institutes.

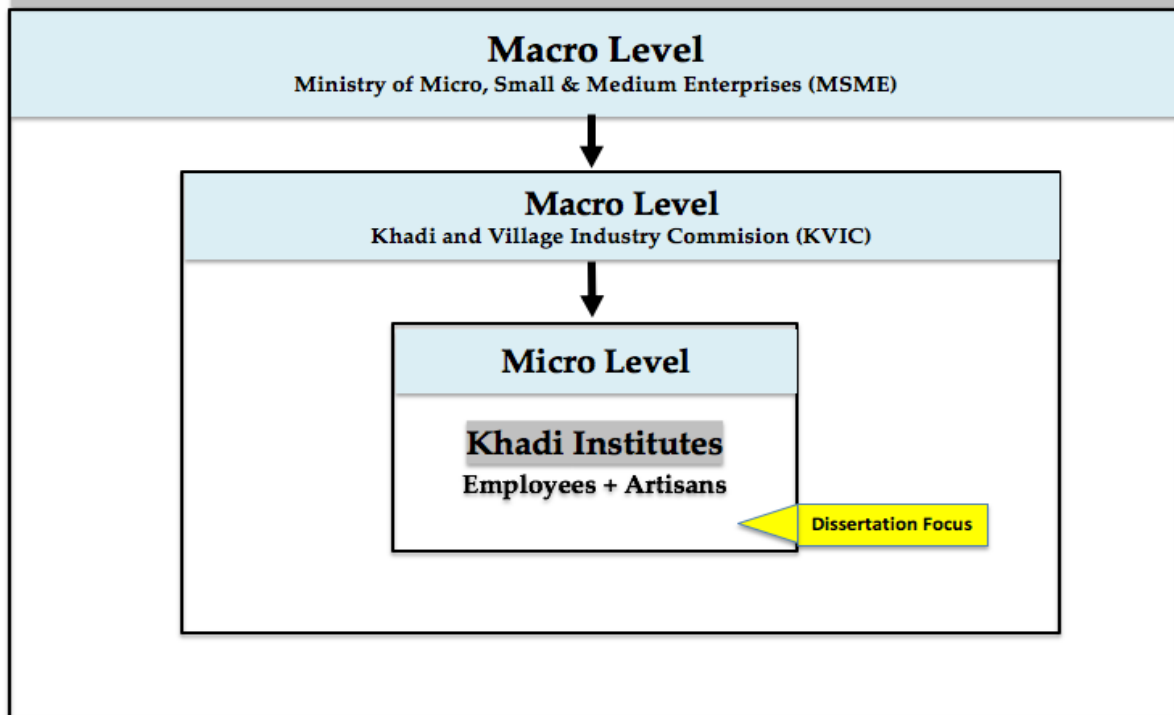
4.2. The status of khadi institutes during the second khadi revival era

Some of the main characteristics of the khadi institutes (KIs) during the revival phase are explained below. To understand the working of KIs, it is essential to understand some of the widespread characteristics. It must be noted that simplified illustrations and explanations are provided only to give the readers an overview of the KIs.

4.2.1. Positioning of the khadi institutes in khadi industry

The positioning of the KI in the khadi industry structure during the Second Khadi Revival Era (SKRE) is illustrated in Exhibit 19.

⁶⁶ Khadi institutes are registered in the KVIC (Khadi and Village Industry Commission) or KVIB (Khadi and Village Industry Board) offices. KVIC is supervised directly by the centre while the board is supervised by the state office.

Exhibit 19: Positioning of Khadi Instituts in Khadi Industry during Second Khadi Revival Era

Source: Author (Based on Khadi industry literature and field study)

As shown in Exhibit 19, the khadi industry structure consists of three levels.

(1) The mega level – The Ministry of Micro, Small and Medium Enterprises (MSME) office is the top in the hierarchy. It has headquarters in Delhi. (2) The macro level consists of Khadi and Village Industry Commission (KVIC) offices. The KVIC headquarters is located in Mumbai. The KVIC state offices are in different states of India. (3) The micro level consists of khadi institutes (KIs). They are registered by the KVIC State Office. It must be noted it is not a government office, just simply registered by the Government. KIs work independently like an NGO. They are supervised and supported by MSME and KVIC closely. Khadi institute employees and artisans work together on this level.

4.2.2. Location of khadi institutes

The khadi institutes (KIs) are spread across the entire nation. The khadi industry systematised the distribution of KIs through decentralization after the independence of India. This was due to the size of the industry and the substantial number of KIs operating in this structure. The khadi industry is currently divided into six zones across the country: north, central, north-east, east, west, and south. Each zone comprises several states, which are further divided into districts. Each state has one state KVIC head office and several KVIC district offices. Each district KVIC office is responsible for the KIs located in its district.

Exhibit 20: Location of Khadi Institutes (KIs)			
	Zone	Khadi Institutes	Selected Khadi Institutes for dissertation
1	North Zone	375	Case Studies <u>Selected Zone and States:</u> North (Rajasthan), Central (Uttar Pradesh) and West (Gujarat & Maharashtra) <u>Selected Khadi Institutes</u> Khadi institute having the highest grades was selected for case studies. In total five khadi institutes were selected after following a systematic selection method.
2	Central Zone	703	
3	North East Zone	46	
4	East Zone	504	
5	West Zone	201	
6	South Zone	394	
	TOTAL	2223	

Source: KVIC Annual Report, 2014-2015; pp. 62

Note: For details refer to the methodology chapter (5) of this dissertation.

4.2.3. Ranking of khadi institutes

To understand the performance level of KIs, KVIC has developed a ranking system using the categorization method⁶⁷. For example, in the year 2014-2015, the number of KIs in operation was 2223 in total. The central zone contains the highest number of KIs (703), while the north-east contains the lowest (43).

Exhibit 21: Khadi Institutes ranking template						
	Name and Address of the Institute	Marks obtained (self-appraisal)	Marks approved by field office	Marks considered by Central office	Final Grades awarded	Notes
1	Khadi Institute X	-	in numbers	in numbers	A+, A, B, C or D	

Source: Author; Template based on the official KVIC spreadsheets used for grading system in categorization method by KVIC office.

Note: Some of the spreadsheets are also available online on KVIC official website.⁶⁸

Marks obtained by the KI are based on the 20 parameters of KVIC. An audit team is sent into the institute to operationalize this procedure. The final grades of the institute are based on the following marks: A+ (150 and above marks = excellent); A (120 to 149 marks = good); B (90 to 119 = satisfactory); C (50 to 89 = unsatisfactory); D (< 25 = dismal).

⁶⁷ Categorization method - 'For effective implementation and better monitoring, KVIC adopted a system Categorisation' to grade the khadi institutions on the basis of performance and also to identify the suitable institutions eligible for implementation of khadi programme' (KVIC 2013). Details are mentioned in chapter 5 (Methodology) of this thesis.

⁶⁸ Some of the spreadsheets are also available online on KVIC official website KVIC official website - <http://www.kvic.org.in>

4.2.4. Type of khadi institutes

The khadi industry structure has gone through several changes. It has expanded, but the basic structure, characteristics, and the fundamental principles on which these KIs operate has been similar since the Gandhian Era.

During the Second Khadi Revival Era (SKRE), some clear differences have appeared between KIs. The field study and observation supplied the basis for the following explanation of the categories most relevant for this study.

Type 1: In this category are the institutes which have their own production. They produce and sell one or more types of khadi (cotton, silk, or wool) product. Some institutes have a large infrastructure and are financially strong, while others have smaller production units.

Type 2: In this category are the institutes which do not have their own production or produce less.⁶⁹ These types of institutes are more active in trading, be it in raw materials, finished products or even services, with other khadi institutes.

Type 3: In this category are those institutes which are in the form of showrooms. They do not produce; they are engaged only in trading. They buy the products from other KIs, or sometimes, they give an order directly to artisans.

4.2.5. Type of employees and artisans in the khadi institutes

In khadi institutes (KIs), two kinds of people work, employees and artisans.

Khadi Institute employees: There are two types of KI employees, office employees and field employees. KI employees who work in the office are called office employees in this thesis. KI offices have several departments such as accounting, administration, and IT KI employees who work in the sub-units (away from the main unit) or in the field (such as trading, marketing, etc) are called field employees. This category also includes the employees who are responsible for showrooms or outlets.

Artisans: There are two categories of artisans in the KIs. In the first category are the artisans who work in the KI's sheds.⁷⁰ In the second category are the artisans who work from home. Artisans work part-time on an hourly payment basis at the institute. They work either in the sheds or from their own homes.

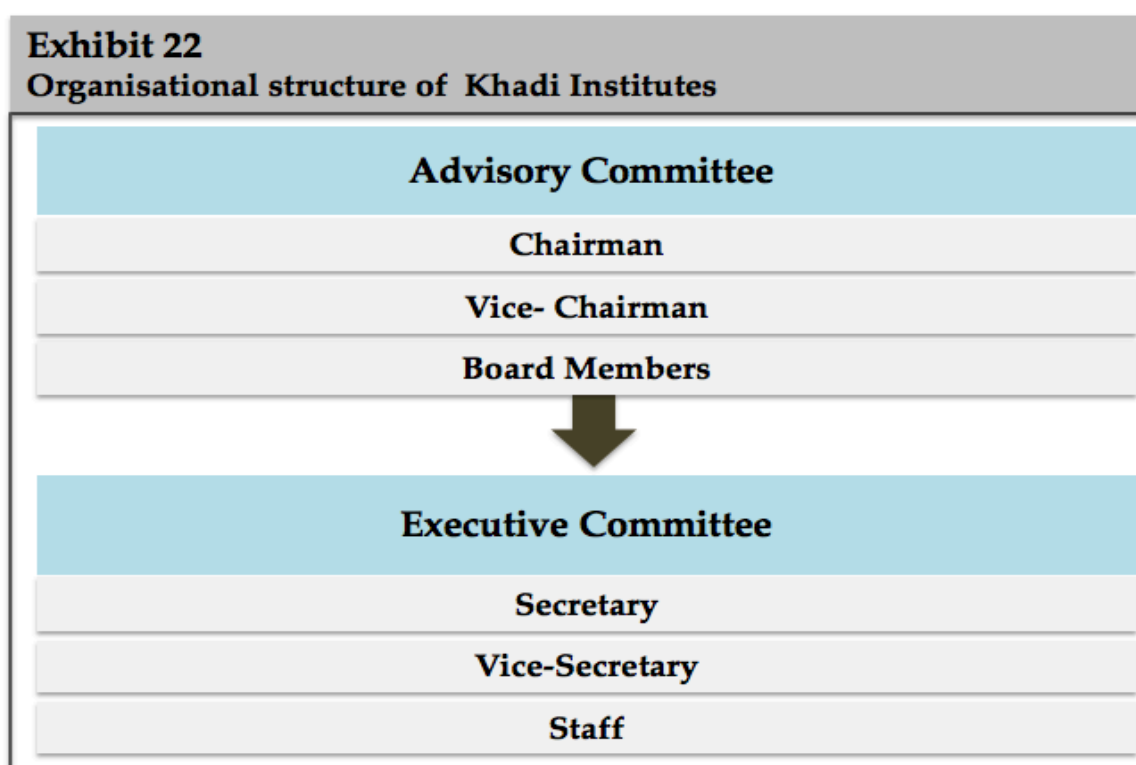
⁶⁹ There are several reasons for this: they are not financially strong enough to set up their own production unit or they have less infrastructure or lack of other resources.

⁷⁰ Khadi sheds – Working environment for artisans in the institute itself.

Khadi Institute employees receive a monthly salary while the artisans receive their wages according to the amount of work they have done (spinning or weaving). This exchange goes on throughout the month in regular periods, with no fixed time.

4.2.6. Organisational structure of khadi institutes

This structure follows the general organizational structure developed for KIs in the Second Khadi Revival Era (SKRE). A KI is divided into two main categories⁷¹- the Advisory Committee, and the Executive Committee.



Source: Author (Based on the field study and KI documentation)

Note: For the executive committee there is no clear structure or rules. Therefore, a simplified explanation and illustration of this structure has been developed for explanatory purposes.

The organizational structure is similar in all the KIs. The guidelines for this structure are provided by the KVIC and are illustrated in Exhibit 22. The structure is broken down in Advisory and Executive committees. (1) **Advisory Committee:** The advisory committee of KIs consists of a Chairman, Vice-Chairman, and the Board. The Board consists of the representatives from diverse background, such as current employees of the KI, the retired secretaries, or employees of other institutes, influential members of society who have impressive reputations and are active supporters of khadi industry, freedom fighters, social

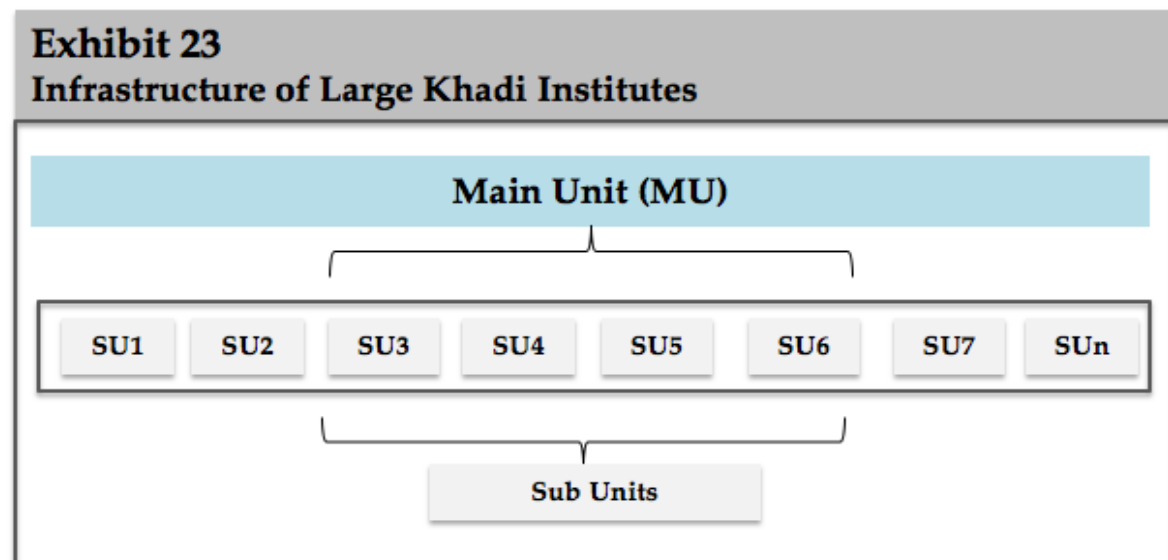
⁷¹ It must be noted that this illustration is merely generic. It has been included to give a general idea of the khadi institutes' organisational structure. This statement is based on many khadi institutes visited by the author. It was verified during the many interviews and discussions conducted during the field study. It was also verified during the interviews at the MSME and KVIC headquarters at Mumbai.

workers, lawyers, businessmen, doctors, politicians, professors, and journalists.

It is essential to have two artisan (spinner or weaver) representatives on the Advisory Committee. The most experienced or the best performing artisan is selected for this position. (2) Executive Committee: The Executive Committee consists of a Secretary (head of KIs), a Vice-Secretary, and staff (office employees and field employees). This committee is responsible for the execution of all the programmes in the KIs.

4.2.7. Infrastructure of khadi institutes

The organizational design of all khadi institutes (KIs) is fundamentally similar.⁷² Differences between the institutes appear mainly because of differences in size or type.⁷³ A systematic explanation or illustration was not found in the literature or industry documentation. In this thesis, the infrastructure of the institutes was divided into three categories: large, medium, and small. A simplified illustration is also presented below.



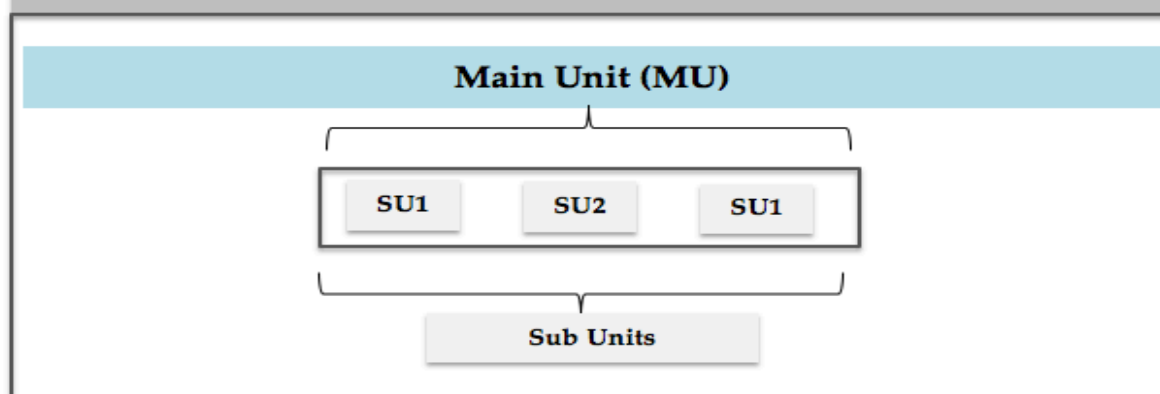
Source: Author (Based on the field study)

As illustrated in Exhibit 23, khadi institutes (KIs) generally have two main divisions: the main unit (MU), and the sub-units (SUs). (1) The MU is where all the KI departments are located. This is the brain of the KIs. It consists of departments such as management, administration, finance, marketing, and IT. (2) SUs: Large KIs have several SUs located in different regions far and wide. Most of the SUs are located near the artisan villages.

⁷² Proper training and clear instructions on the structure of khadi institutes were given during the Gandhian era when the khadi institutes were expanding. The leaders followed the rules strictly. Now the base is embedded in the system. During the second khadi revival era, major changes are taking place, but the old structure has not changed in fundamentals.

⁷³ Different kinds of khadi institutes are explained in the next section of this chapter.

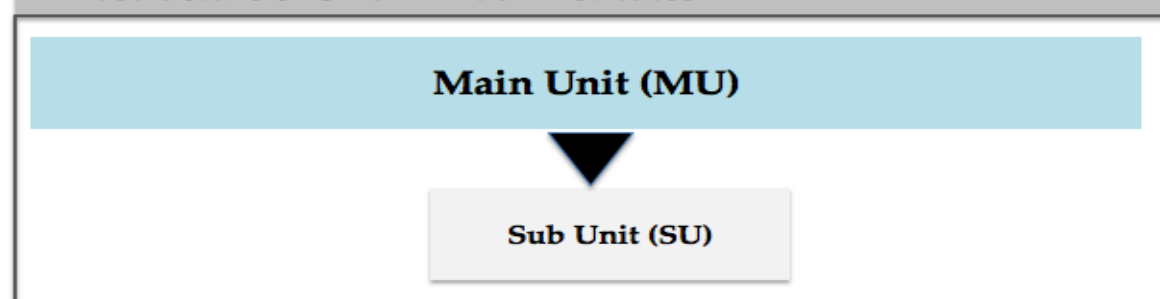
Exhibit 24 Infrastructure of Medium - Khadi Institutes



Source: Author (Based on the field study)

If the KI is of medium size, then it will have a smaller number of SUs and a smaller number of showrooms.

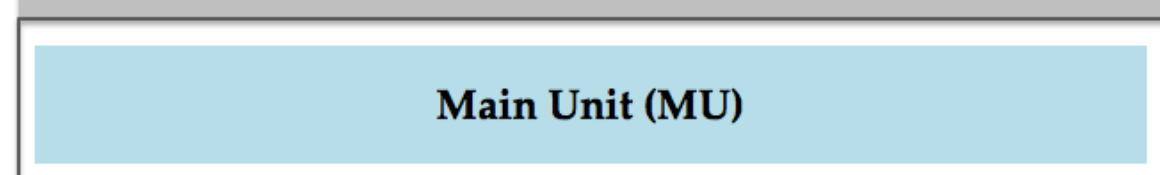
Exhibit 25 Infrastructure of Small Khadi Institutes



Source: Author (Based on the field study)

If the khadi institute is small, then the structure is simpler; they might have only one subunit.

Exhibit 26 Infrastructure of Small Khadi Institutes

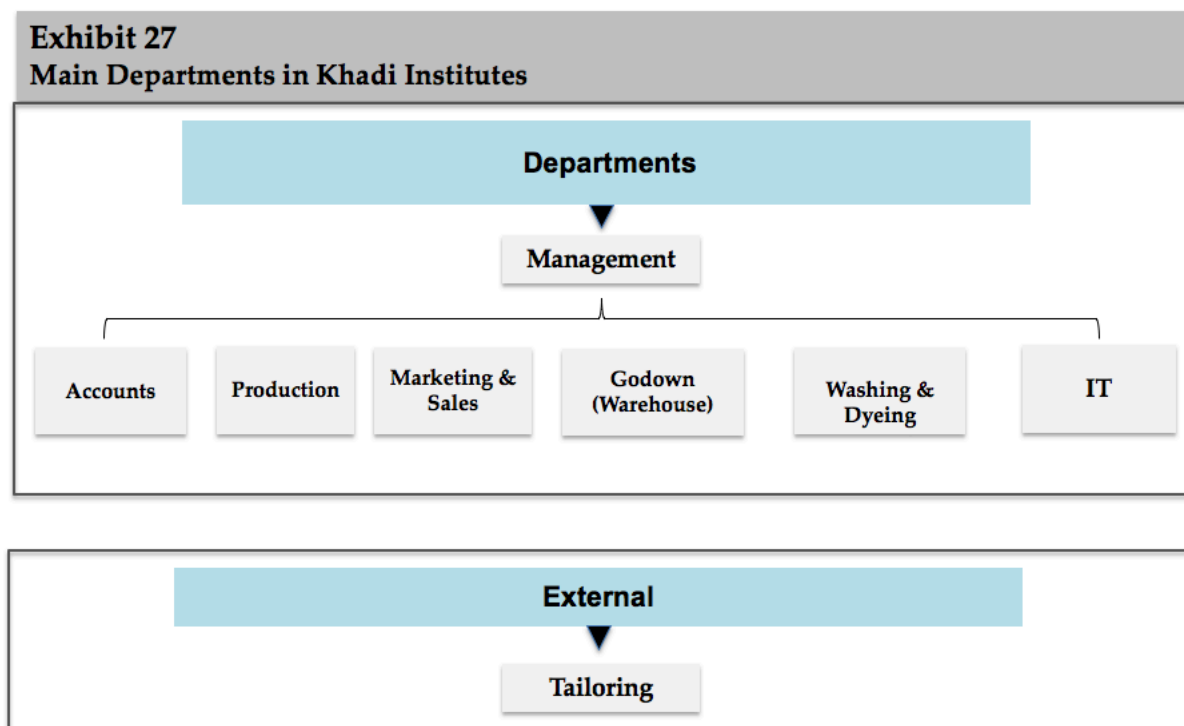


Source: Author (Based on the field study)

Alternatively, there is also a possibility that a small KI does not have any SUs, but it still can be highly profitable and successful.

4.2.8. Departments of khadi institutes

In a khadi institute there are several departments. Some of the main departments are illustrated in Exhibit 27.



Source: Author (Based on the field study and KI documentation)

The Main Unit (MU) of the KIs have the following departments, irrespective of their size.

Internal Departments

(1) Finance and Accounts Department – This department keeps a financial record of both the main unit (MU) and sub-units (SUs). It is also responsible for the budget.

(2) Production Department – The Production Department in the MU has control of the production in the MU as well as in SUs. Daily reports are sent to the department in the MU by all the SUs.

(3) Marketing and Sales Department – This department works directly from the offices built in the khadi showrooms.

Showrooms - During the second revival phase, showrooms have been given high importance. They are completely modernised to attract customers and increase sales. All the KIs have a shop (old) or a showroom (new). The government invested a considerable sum of money to renovate khadi shops during the revival phase. Innovative selling and marketing techniques were introduced in this department. If the KI is large, it might have several shops and showrooms in different locations.

(4) Godown (Storage) Department - This department handles storage and maintenance of khadi raw materials and finished goods. This team also deals with the artisans supplying the raw material or collecting the material. This team is responsible for paying the artisans, so it works closely with the Finance and Accounting Department. Small godowns are also built at the sub-units (SUs). This team ensures that the finished products, as well as raw materials, can be easily supplied to various locations as per the demand. This team along with the Marketing and Sales team is also responsible for trading with other KIs.

(5) Washing and Dyeing – There are also some other departments or individuals responsible for various tasks, such as the washing and dyeing processes.

(6) IT Department - In the IT department there is only one person who is responsible, in general. Use of technology in the office is limited and incredibly basic.

(7) Other - There are a few other departments or individuals responsible for different work, such as testing labs.

External Departments

Tailoring: Some work is outsourced to tailors or fashion designers. In the second revival phase, this external department has gained significant importance. New and innovative designs attract customers, so professional tailors or dress designers work closely together with the khadi institutes (KIs) to develop unique products. Different institutes have their own private networks. In the low-tech, traditional KIs, employees have their specific responsibilities and department, but they are also trained to work across and with multiple departments. According to requirements, on several occasions the staff may be sent from one department to another. They work like a close-knit family, which can be challenging for an outsider to understand. The main unit office employees keep a strict check on all the departments, employees and artisans. They micromanage them.

5. Methodology

One of the qualitative methods commonly used in strategic management research is case study method. Case studies are able to describe the research phenomenon in detail (Shah & Corley, 2006; Yin, 2009). The case study is considered one of the most efficient research methods by which to apply the Dynamic Capabilities framework (Kindström et al, 2014). The aim of this chapter is to systematically describe the research methods adopted for this study. Because this study is exploratory in nature, multiple case study analysis is considered as the most relevant approach. Researchers using the case study method must overcome a few challenges to utilize it in the most effective manner. One of the challenges is to combine scattered pieces of knowledge available as both qualitative and quantitative data. Another challenge is to find the right time to conduct the study and to decide how should it be analysed.

This chapter is divided into three main sections. The first section describes systematically how the research was conducted by following six main steps.⁷⁴ The second section describes the categorization method. The third section briefly explains the challenges faced by the author during this study.

5.1. Qualitative Research Method: Multiple case study

For this research, six steps given by (Eisenhardt, 1989) are followed: (1) Getting started, (2) Selecting cases, (3) Crafting instruments and protocols, (4) Entering the field, (5) Analysing data, and (6) Searching for cross patterns.

5.1.1. Getting started

The idea of conducting research on this topic evolved slowly, over a long span of time. Three main events are described here. (1) The author had visited the low-tech traditional industries several times while working on her master's degree dissertation, focussed on the economic analysis of child labour in Rajasthan, India in 1999-2001. During the field study, the author had closely observed the working and challenges of such industries and the challenges for employees and labour working in them. (2) While working for the Asia Research Centre, University of St. Gallen, the author had several occasions to organize projects and visits for bachelor students in diverse companies of Asia. The idea for this dissertation evolved while organizing a study trip for bachelor students in India.

⁷⁴ To briefly read about the six steps (Getting started, Selecting cases, Crafting instruments and protocols, Entering the field, Analyzing the data and Searching for cross patterns) refer to the methodology section of this chapter. Details are provided in chapter 4 (Methodology).

Author had an opportunity to visit several high-tech companies (such as, Infosys in Bangalore) and low-tech companies (such as, hand-made incense sticks factory, artisans wood carving workshop in Mysore) in India and discuss in detail the challenges faced by these companies. The strong motivation for research work evolved during a visit to a low-tech traditional incense sticks factory in Mysore, India. The challenges faced by this factory and the artisans work was observed closely. Later, during other visits in India, Singapore, Malaysia, Indonesia, and Switzerland, the author had several opportunities to visit and learn more about the work of different types of low-tech traditional industries in various locations. (3) The research idea was finally transformed into a research proposal when the author read an article on an agrarian crisis in India in which hundreds of farmers were committing suicide. The author was inspired to contribute and raise awareness.

5.1.2. Selecting Cases

Selection of cases were made using the categorization⁷⁵ method. It is an official method applied by the khadi and village industries commission to categorize khadi institutes across the nation based on their performance level. After passing through six main stages of selection process, five successful khadi institutes were selected for this study. In qualitative research, the selection of cases depends on theoretical sampling. From the limited number of cases, the cases to be chosen are those of extreme circumstances or polar types; the aim is select those cases in which the research interest is clearly observable. According to Eisenhardt (1989), the goal of theoretical sampling is to select those cases that either have the capacity to replicate or extend the existing theory. To find the most eligible cases for this research, the author collected the data from secondary sources.

Six systematic steps are followed to select the relevant case study for this research

Step 1: Firstly, the information relevant for this dissertation was collected from the websites of the macro level of khadi industry (Ministry of Micro, Small and Medium Enterprises) and mega level of khadi industry (Khadi and Village Industry Commission).⁷⁶ It was found that after decentralization, the khadi industry had six divisions and distributed its work in these six zones - North Zone, Central Zone, Eastern Zone, South Zone, Western Zone and North-Eastern Zone. Each zone consists of several states, which are listed in Exhibit 28.

⁷⁵ Details of categorization method is included in this chapter (5.2).

⁷⁶ KVIC - <http://www.kvic.org.in>.

Exhibit 28: Zones of Khadi Industry	
	Zones
1	North Zone
2	Central Zone
3	Eastern Zone
4	South Zone
5	Western Zone
6	North-Eastern Zone

Source: Author based on KVIC website information

Step 2: For the purpose of this research, three zones are selected for this research: North, West and Central.

Exhibit 29: Selected zones for research		
	Zones	States
1	North Zone	Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, and Rajasthan
2	Central Zone	Chhattisgarh, Madhya Pradesh, Uttaranchal, and Uttar Pradesh
3	Eastern Zone	Bihar, Jharkhand, Orissa, and West Bengal
4	South Zone	Andhra Pradesh, Karnataka, Kerala, and Tamil Nadu
5	Western Zone	Gujarat and Maharashtra
6	North-Eastern Zone	Assam, Arunachal Pradesh, Manipur, Meghalaya, and Nagaland.

Source: Author, based on KVIC website information

There are three main reasons for this selection. The first reason is that the author is well acquainted with these three zones. Secondly, each zone covers a huge geographical area; hence, the author prefers to conduct a study focussed only on three zones rather than six zones to secure the quality of the research. Thirdly, from a practical point of view and the time limitation of the dissertation, specific zone selection was considered the best option.

Step 3: In this step, the research was further narrowed. The information related to the number of khadi institutes located in each state was collected.

Exhibit 30: States and number of khadi institutes			
	Zones	States	No. of Khadi Institutes
1	North Zone	Haryana	88
		Himachal Pradesh	12
		Jammu and Kashmir	37
		Punjab	18
		Rajasthan	237
2	Central Zone	Chhattisgarh	19
		Madhya Pradesh	25
		Uttaranchal	36
		Uttar Pradesh	526
3	West Zone	Gujarat	224
		Maharashtra	103

Source: Data summarized (derived from various data bases in the official website of KVIC, Government of India) <http://www.kvic.org.in/>

As illustrated in Exhibit 30, Uttar Pradesh has the highest number of khadi institutes, followed by Rajasthan and Gujarat. But for this research, the selection criteria for the selection were both performance level and the highest number of khadi institutes.

Step 4: In this step, the research was further narrowed from numerous spreadsheets used in the categorization method.

Exhibit 31: Selected States for research				
	Zones	States	No. of Khadi Institutes	
1	North Zone	Haryana	88	3A+
		Himachal Pradesh	12	
		Jammu and Kashmir	37	
		Punjab	18	
		Rajasthan	237	9A+
2	Central Zone	Chhattisgarh	19	
		Madhya Pradesh	25	
		Uttaranchal	36	
		Uttar Pradesh	526	4A+
3	West Zone	Gujarat	224	8A+
		Maharashtra	103	4A+

Source: Data summarized (derived from various data bases in the official website of KVIC, Government of India) <http://www.kvic.org.in/>

From the numerous spreadsheets used in the categorization method, khadi institutes that had attained A+ category were selected (From A+, A, B, C and D categories). During this selection process, only five states emerged: Haryana and Rajasthan in North zone, Uttar Pradesh in central zone; Gujarat and Maharashtra in West zone.

Step 5: In this step, the research is further narrowed. Khadi institutes are supervised by KVIC and KVIB. The supervisory authorities give marks to each institute based on their performance. Then, the institutes are further categorized into grades (A+, A, B, C and D) based on the marks received. A+ is considered to be the most superior category. To narrow down the case study selection further from the selected A+ institutes, the institutes with the highest marks in the A+ category were selected.

Exhibit 32: Example of Rajasthan State khadi institute selection

Rajasthan: Total Number North Zone - 292 Khadi Institutes														
Categorization of Khadi Institutes in Rajasthan														
	North Zone	Affiliated with KVIC Category						Affiliated with State Board Category						Total
		A+	A	B	C	D	Total	A+	A	B	C	D	Total	
	Jaipur	8	11	10	12	4	45	1	17	30	21	1	70	115
	Bikaner	0	8	6	6	3	23	0	0	0	0	0	0	23
		8	18	16	18	7	67	1	17	30	21	1	70	138
Total No. of Khadi Institutes								206						
Khadi Institutes in A+ category								9 A+						
Khadi Institutes in A category								35 A						
Khadi Institutes in B category								46 B						
Khadi Institutes in C category								39 C						
Khadi Institutes in D category								8 D						

Source: Data summarized (derived from various data bases in the official website of KVIC, Government of India) <http://www.kvic.org.in/>

Step 6: During this selection process only five low-tech traditional khadi institutes in A+ category with the highest marks in their states emerged from this long case-selection process.

Exhibit 33: Case Study Selection		
Case Studies	Selected Khadi Institutes	Location
Khadi Institute 1	Ksehtriya Khadi Gram Samiti	Dausa, Rajasthan
Khadi Institute 2	Udyog Bharati	Gondal, Gujarat
Khadi Institute 3	Maharashtra Marathwada Khadi Gramodyog Samiti	Nanded, Maharashtra
Khadi Institute 4	Gram Seva Sansthan	Fatehpur, Uttar Pradesh
Khadi Institute 5	Khadi Mandir	Gondal, Haryana

Source: Data summarized (derived from various data bases in the official website of KVIC, Government of India) <http://www.kvic.org.in/>

Exhibit 34: Grading of Khadi Institutes					
	Zones	States	No. of Khadi Institutes	Total no. of A+ Khadi Institutes	Institute having highest marks was selected
1	North Zone	Haryana	88	3A+	Khadi Institute
		Rajasthan	206	9A+	Khadi Institute
2	Central Zone	Uttar Pradesh	526	4A+	Khadi Institute
3	West Zone	Gujarat	224	8A+	Khadi Institute
		Maharashtra	103	4A+	Khadi Institute

Source: Data summarized (derived from various data bases in the official website of KVIC, Government of India) <http://www.kvic.org.in/>

5.1.3. Crafting instruments and protocols

The main method applied in this study is the case study method. Qualitative data was collected using both primary and secondary data collection methods (Mason, 2002; Lapan & Quartaroli, 2009). This study focusses on the case studies of five selected khadi institutes. Multiple methods were applied to collect the required information for research.

Observation: Field Study

Field study was conducted in three phases between 2011 to 2014. During this period, field visits were made in diverse villages and cities to khadi stores, khadi offices, khadi institutes, khadi production units, khadi exhibitions, organic cotton farms, Mahatma Gandhi's organizations, and sites from where the khadi institutes were originated. Apart from the data collected through interviews and documentation, considerable knowledge and understanding about the functioning of khadi institutes was gathered through observations. The author followed much the same pattern in every state. First, she visited the State office and conducted interviews, meetings, and group discussions. Second, she went to the location of the selected case study for intensive field study; and third, visited two other Khadi institutes in the same area. These steps were all done in pursuit of the case study analysis.

Interviews (Individual and Group): Interviews are considered an integral part of this research and an important source of data. The researcher conducted semi-structured open-ended interviews ranging from 1 to 3 hours. Interviews were divided into two categories, individual interviews, and group interviews.

Discussions (Individual and Group): Interesting and extremely relevant facts were derived from group discussions, for example, with the KVIC officials of a state, artisans coming from villages to pick up raw material, KVIC officials, and KI workers. Discussions are also divided into two categories: individual discussions and group discussions.

Documentation: In this research, data was retrieved using diverse sources available on websites and in KVIC offices and institutes, annual reports of khadi institutes, Government annual reports and publications, NGO reports, and newspapers. Documentation is also divided into two categories: publicly available documentation and internal documentation.

5.1.4. Entering the field

Between 2012 and 2014, an intensive field study was conducted in three stages. First field study was conducted in 2012 in the state of Madhya Pradesh, the second field study was conducted in 2013 in the state of Rajasthan, and finally intensive field study was conducted in 2014 in five states of India where the selected khadi institutes were located: Rajasthan, Gujarat, Maharashtra, Uttar Pradesh, and Haryana. In each state, two additional khadi institutes were also visited. A specific field study design was followed. Between 2015 and 2019, prominent changes made in the institutes were regularly updated. It must be noted that changes in context of this research work occur at a very slow pace at the traditional institutes.

Field study design

The First phase of field study: 2011 Madhya Pradesh (India): The first phase of field study involved multiple informal interviews, discussions, and field visits. This phase could also be divided into two steps. The First step includes research conducted in Switzerland. Followed by the second step which includes research conducted in India. The research idea was too broad. Therefore, the goal was first to understand the basics and then narrow the research scope. For this purpose, in the first step desk research was conducted in Switzerland. Informal discussions were held with researchers and practitioners in Switzerland who had conducted their fieldwork in India or who had some work experience in the same area. In the second step, the author participated in a three-day study tour organized by BioRe⁷⁷ in collaboration with Remei Switzerland at Madhya Pradesh in India. During this tour, several field visits were made in villages. During this time major efforts were going on in the field to make the farmers aware and educate them about the benefits of organic farming. Several villages have almost declared themselves as organic villages. Not only their agricultural farms were strictly following organic farming principles. But even in their daily routine, they were making efforts to make use of the waste. The designs and quotes related to organic farming were painted on the village walls. During this tour research centres of organic farming were visited. Workshops of handmade products by the farmers and their families were also visited. Farmers and their families are engaged in the artisan work as their second job. Additionally, there was an opportunity to observe the changing market at first hand. During this visit, the second job of the farmers' families grabbed the interest of the author. As it was also in line with the initial research interest, the research field was narrowed down during this visit.

⁷⁷ <https://remei.ch/en/about-us/>
<https://remei.ch/en/fibre-to-fashion/biore-organic-cotton/>
Remei AG is the exclusive licensee of the bioRe® brand.

Field study 2 (2013); Rajasthan: The hand-made and hand-woven traditional khadi industry was selected. First, desk research was done in Switzerland. Second, visits were made to the khadi offices in Bikaner and Jaipur. Discussions with the employees were helpful in understanding the structure and working of this massive industry. Though it looks quite simple from outside, it is difficult to understand how it functions. During this trip, with the support of officials, some contacts were made for the next step of this research.

Field study 3 (2014): This was to five states: Rajasthan, Gujarat, Maharashtra, Uttar Pradesh, and Haryana. Again, desk work and the research field trip planning and organization was done beforehand in Switzerland. This was a long field study for 2.5 months without break. The author travelled across five states of India, focussing more on the selected khadi institutes. The author applied three main research steps in all the states.

First step: The author visited the KVIC state office. An overview was gained of the state's khadi business and information related to selected khadi institutes. The method used was an interview with the director of the state KVIC office followed by interviews and discussions with KVIC officers.

Second step: The author stayed for a week in the campus of the selected khadi institute. During this time, an intensive schedule was adopted to collect as much data as possible. The main methods used were one-to-one interviews, group interviews, discussions, field visits, campus visits, participation in the institute activities, artisan village visits, and sub-unit visits.

Third step: To gain a broader perspective, the author approached two more khadi institutes in the nearby areas. At one institute, the author visited, and an interview followed by a discussion with the secretary and field observations were recorded. At the second institute, the author met with the secretary at his home office. This meeting also involved a long interview followed by a group discussion. The aim of this meeting was to gain an understanding of the status, working and business relationships of low-tech traditional khadi institutes in the state.

5.1.5. Analysing data

The data was analysed with a triangulation method. A detailed description was written of each of the selected khadi institutes. In this process, several unique patterns emerged. Eisenhardt (1989) introduced a method to analyse the data from case studies called case analysis. The general aim of a within-case analysis is to become intimately familiar with each case individually.

5.1.6. Searching for cross patterns

The similarities and differences between the cases are here briefly identified. Since this study is exploratory in nature, a great deal of qualitative data has been retrieved during the field work.⁷⁸ The first phase begins by formulating an initial definition of the research question. The target is to have a focussed research question; however, in the initial stages even a broad definition could prepare a solid foundation for testing a theory using case studies (Eisenhardt, 1989; Fuhl, 2006).

			Findings	Results
1	Getting Started			
		Author read an article on farmer suicide		
		Desk research		
		Field visit – Organic farm		
2	Selecting Cases			
		Data retrieved from the official website of KVIC	<u>North Zone</u> Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab and Rajasthan <u>Central Zone</u> Chhattisgarh, Madhya Pradesh, Uttaranchal and Uttar Pradesh <u>Eastern Zone</u> Bihar, Jharkhand, Orissa and West Bengal <u>South Zone</u> Andhra Pradesh, Karnataka, Kerala, and Tamil Nadu <u>Western Zone</u> Gujarat and Maharashtra <u>North-Eastern Zone</u> Assam, Arunachal Pradesh, Manipur, Meghalaya and Nagaland.	
		Zone Selection	For the purpose of this research, three zones were taken into consideration – North, West and Central.	Specific zone selection was considered as the best option.

		State Selection	<u>North Zone</u> Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab and Rajasthan <u>Central Zone</u> Chhattisgarh, Madhya Pradesh, Uttaranchal and Uttar Pradesh <u>West Zone</u> Gujarat and Maharashtra	In this step, the case selection process is narrowed down. A list of states in all the selected zones was made separately.
		Khadi Institute In this step, the researcher has further investigated that each state has a different number of Khadi institutions.	<u>North Zone</u> Haryana (88), HP (12), J&K (37), Punjab (18) and Rajasthan (237) <u>Central Zone</u> Chhattisgarh (19), MP (25), Uttaranchal (36) and UP (526) <u>West Zone</u> Gujarat (224) and Maharashtra (103)	In this step, the researcher has further investigated that each state has a different number of Khadi institutions.
		Institute Selection In this step, the researcher has collected the data specifically on the institutes in the A+ category	Rajasthan (9A+) Gujarat (8A+) Maharashtra (4A+) Uttar Pradesh (4A+) Haryana (3A+)	They are supervised by KVIC and KVIB. The supervisory authorities give marks to each institute based on their performance. Then, the institutes are further categorized into grades (A+, A, B, C and D) based on the marks received. A+ is considered to be the most superior category.
		Case Study Selection	<u>Case Study 1</u> - Dausa, Rajasthan Kshtriya Khadi Gram Samiti <u>Case Study 2</u> - Gondal, Gujarat Udyog Bharti <u>Case Study 3</u> - Nanded, Maharashtra Marathwada Khadi Gramodyog Samiti <u>Case Study 4</u> - Karnal, Haryana Khadi Mandir <u>Case Study 5</u> - Fatehpur, Uttar Pradesh Gram Seva Sansthan	To narrow the case study selection further from the selected A+ institutes, the institutes with the highest marks in the A+ category were selected.
				This research is focused on the successful Khadi institutes. Therefore, the researcher has selected only A+ category institutes which could be considered most successful in comparison to other institutions. The success factor is analysed based on the marks given in numbers to these institutions (by KVIC and KVIB) and based on these numbers they are further categorized into grades.

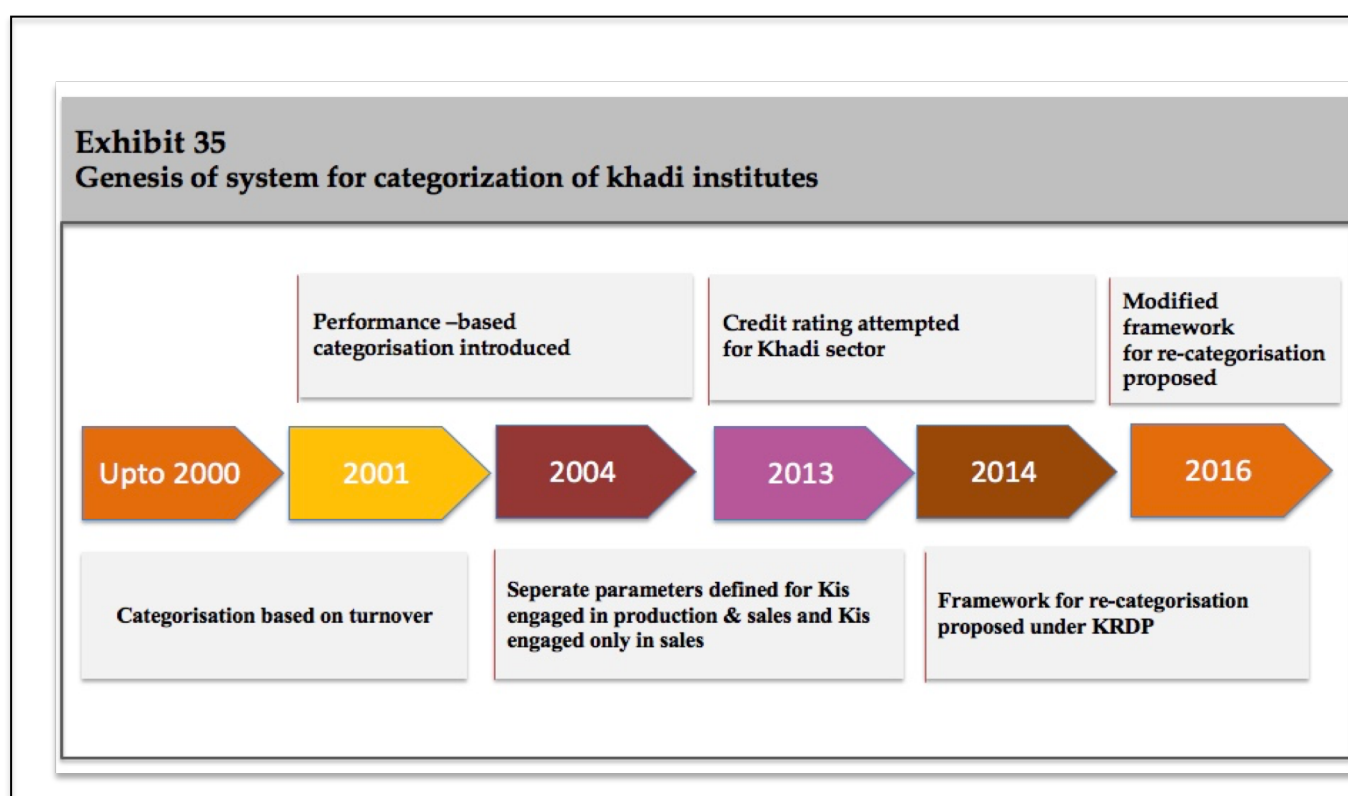
3	Crafting instruments and protocols		Case Study Analysis	
			Field Visit - First visit in 2013 Meeting and Discussion	
			<p>Second Visit – (August to October 2014) Systematic steps of Study Trip (August to October 2014)</p> <p><u>Study Trip Phase 1: Rajasthan</u> 1. KVIC State office - Jaipur 2. Case study – KKGS, Dausa 3. Two other interviews/visits – Jaipur</p> <p><u>Study Trip Phase 2: Gujarat</u> 1. KVIC State office - Ahmedabad 2. Case study - Udyog Bharat at Gondal 3. Two other interviews/visits – Gondal and Rajkot</p> <p><u>Study Trip 3: Maharashtra</u> 1. KVIC Central Office - Mumbai KVIC State office - Mumbai 2. Case study – MKGS, Nanded 3. Two other interviews/visits – Mumbai and Nanded</p> <p><u>Study Trip 4: Uttar Pradesh</u> 1. KVIC State office - Lucknow 2. Case study – GSS, Fatehpur 3. Two other interviews/visits – Fatehpur and Kanpur</p> <p><u>Study Trip 5: Haryana</u> 1. KVIC State office - Karnal 2. Case study – Khadi Mandir, Dausa 3. Two other interviews/visits – Karnal and Udeed</p>	<p>1. Documentation 2. Interviews 3. Group discussion 4. Documentation 5. Field visit and observation</p>
4	Data Analysis		Eisenhardt (1989) introduced a method to analyse the data from case studies called case analysis. The general aim of a within-case analysis is to become intimately familiar with each case individually.	

5.2. Categorization Method

As mentioned earlier, the MSME and KVIC were formed to support the khadi institutes (KIs). Categorization is one of the methods applied to support khadi institutes. The methodology applied in this thesis, and the selection of cases in particular, was based on the official KVIC categorization of KIs.

Categorization: ‘For effective implementation and better monitoring, KVIC adopted a system Categorization’ in order to grade the Khadi institutions on the basis of performance and also to identify the suitable institutions eligible for implementation of Khadi programme’ (KVIC 2013).

5.2.1. Method applied by the Khadi Industry (Khadi and Village industry commission) to categorize khadi institutes



Source: KVIC (2016); p. 2

Categorization Method applied in the year 2000: The categorization method which was adopted by KVIC up to 2000 was primarily based on the turnovers of khadi institutes. (KVIC, 2016).

Exhibit 36: Categorization of Khadi Institutes until the year 2000		
Category	Turnover	Finance
Large	1 Crore or more	25% KVIC, 75% Bank
Medium	25 Lakhs to 1 crore	75% KVIC, 25% Bank
Small	Up to 25 Lakhs	100% KVIC

Source: KVIC, 2016; p. 3

As illustrated in Exhibit 36, khadi institutes are divided into three categories, large, medium, and small, based on their turnover. Financial support was given by the KVIC and banks working in close cooperation.

Categorization Method applied in the year 2001: The categorization method which was used by the KVIC up to 2000 was primarily based on the performance of khadi institutes (KIs). To supplement this categorization, 20 indicators were introduced on which the performance of KIs were evaluated by the KVIC officers. Based on this evaluation KIs, were categorized as A (good), B (satisfactory), C (unsatisfactory), or D (weak/dismal).

Categorization Method applied in the year 2004

Method used as a base for khadi institutes selection in this dissertation

A revised version was introduced in 2004 to minimize the shortcomings of the previous version. In the revised version, an additional category, ‘A+’, was added (refer to Table 5.5). It was assigned to the KIs showing exceptional performance. Additionally, separate parameters and scales were identified for the marketing of KIs. A table is included in Appendix 1 detailing this categorization method. As shown in the table, khadi institutes are divided into several categories (by finance, profitability, etc). Each category is further divided into parameters. There are 20 parameters in total. Separate parameters are assigned for production and sales and for marketing. During the evaluation, each parameter is given a score (KVIC, 2016). Aggregate scores determine the category (A+, A, B, C or D) of khadi institutes, as illustrated in Exhibit 37.

Exhibit 37: Categorization of Khadi Institutes in 2004			
Category	KIs in production and Sales (Points on 20 parameters)	KIs in Marketing (Points on 10 parameters)	Nomenclature for performance
A+	150 and above	75 and above	Excellent
A	120 to 149	60 to 74	Good
B	90 to 119	45 to 59	Satisfactory
C	50 to 89	25 to 44	Unsatisfactory
D	Less than 50	Less than 25	Dismal

Source: KVIC, 2016; p. 18

In this thesis, khadi institutes in the category of A+ are considered for case study analysis.

5.2.2. Initiatives taken to re-categorize the khadi institutes during revival phase

Re-Categorization: ‘KVIC introduced a system of categorization in order to grade the Khadi institutions on the basis of performance and also to identify suitable institutions eligible for implementation of the prestigious scheme of KVIC. The present system of categorization was initially introduced in 2000-01 and modified in 2004. The system with fine tune parameter was continued till March 2013. It has been proposed to re-categorize the Khadi institutions with additional parameters such as women, empowerment, bank account opening / ensuing issues are of *Adhar card* for Khadi artisans, etc’ (KVIC, 2013).

Attempts made in 2013 at re-categorization: To overcome the ongoing issue of reliability in categorization, a credit rating system was proposed during a KVIC meeting on 14 March 2013. Several modifications were proposed, such as the addition of sector-specific parameters and the inclusion of the National Small Industries Corporation (NSIC) to support the KVIC in categorization process. However, this proposal was not accepted. It was concluded that the methodology proposed was not appropriate for khadi institutes assessing the performance of khadi institutes. As a result, the categorization process first applied in 2004 was applied throughout, along with its shortcomings. During this meeting, the development of an appropriate proposal was also discussed to control the shortcomings of the previous categorization system (KVIC, 2016).

Attempts made in 2014 at re-categorization: In 2014, a framework of re-categorization was proposed by the Khadi Reform and Development Programme (KRDP) initiated by the Asian Development Bank (ADB). This proposed a massive khadi reform programme to increase the employment. (KVIC, 2010). ‘The ADB conveyed its Board approval for sanction of US \$150 million for the programme captioned Khadi Reform and Development Programme’ (Source: KVIC website⁷⁹). This new framework consisted of 16 parameters for both KIs engaged in production and marketing. The categories (A+, A, B, C and D) were not changed, but a modified scale was proposed for rating the khadi institution performance. This framework was tested. In 2014, around 492 KIs were re-categorized. This information was broadcast to all the khadi institutes. The KVIC also started planning to apply this framework to other KIs. However, some KIs promptly objected. The re-categorization was unacceptable to several KIs. As a result, the categorization process has been held in abeyance since 2014. Consequently, the categorization method has not changed since 2004 (KVIC, 2016).

⁷⁹Khadi Reform and Development Programme (KRDP) Website link: <http://www.kvic.org.in/kvicres/krdp.html>

For example, if a KI is in the category A+, even if its performance has decreased it is still positioned in that category and so for many years it has fully enjoyed the benefits which are given to KIs in this category. Similarly, if a KI was in category C in 2004 but has upgraded its performance in the years between, it is still placed in category C and has not been given the benefits or reputation which is given to the KIs positioned in higher categories.

Attempts made in the year 2014 for re-categorization: The re-categorization framework initiated by the KRDP in 2014 came to a halt. In 2016, the Asian Development Bank (ADB) reviewed the progress of the KRDP. A meeting of employees from mega level (MSME), macro level (KVIC), and the external ADB decided that the khadi institutes required re-categorization. Additionally, a decision was taken to review the 2014 re-categorization framework. ‘The re-categorisation as per revised categorisation norms was undertaken for 400 KIs across 8 states. The data related to artisan welfare, operational and financial performance, governance, and compliance was collected from the respective State / Division offices. The analysis was done for data sets for the FY 2011-12 and 2012-13, wherein 2011-12 was treated as base year. The key findings related to the performance of the KIs on each of the indicator are further elaborated’ (KVIC, 2016; p. 10). The re-categorization framework of 2016 came into existence on this basis (for details refer to the re-categorization report of the Khadi and Village Industry Commission; KVIC, 2016). In this framework, several modifications were made to the parameters and scale of the previous re-categorization framework.

The new framework applies six parameters: artisan welfare, financial, operational, governance, empowerment, and compliance. Each parameter uses several indicators. For each parameter, weight and scale is also explained in detail. During the evaluation, each parameter is given a score. The aggregate score will determine the category (A+, A, B, C or D) of the khadi institute as listed in Exhibit 38.

Exhibit 38: Re-categorisation of khadi institutes in 2016			
Category	Range of scores for KIs in Production & Sales	Range of scores for KIs in Marketing	Nomenclature for performance
A+	75% & above	75% and above	Excellent
A	60% - 75%	60% - 75%	Very Good
B	40% - 60%	40% - 60%	Good
C	30% - 40%	30% -40%	Average
D	Less than 30%	Less than 30%	Needs improvement

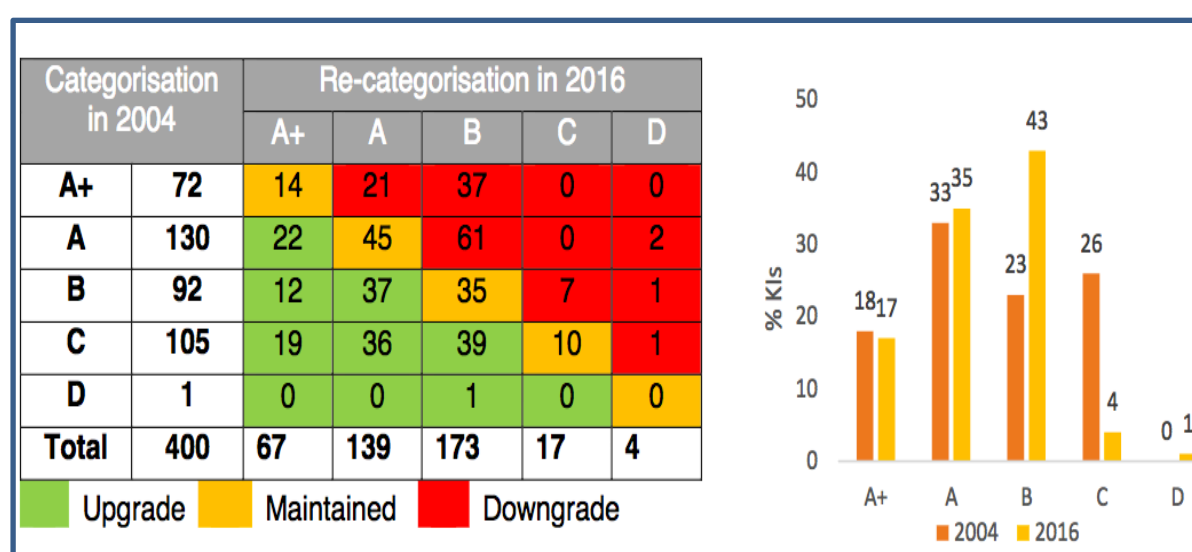
Source: KVIC, 2016; p. 9

Note: This re-categorization is expected to be applied from the financial year 2017-18 onwards.

5.2.3. Comparison between categorization & re-categorization methods

Although khadi institutes in India number in the thousands, re-categorization was undertaken for only 400 khadi institutes, which are dispersed around eight states in total. An effort has been made by the KVIC officials to compare two years. Exhibit 39 uses three colours (green, yellow and red) to show the changes that took place in 2016. Around 166 KIs have been upgraded (43%), and 130 KIs have been downgraded (33%). The status of 104 KIs (26%) have been maintained (KVIC, 2016).

Exhibit 39: Re-categorization of Khadi Institutes in 2016 (categories)



Category	Different categories of Khadi institutions
A+	Very good track record
A	Good track record
B	Unsatisfactory but some which still have potential to improve
C	Unsatisfactory but some which still have potential to improve
D	Performance dismal in the areas of financial management, marketing and all other areas of productive functions

Source: KVIC, 2016; pp.18

At the macro level, the MSME develops schemes to support the khadi industry. For instance, some of the central government schemes provide financial assistance or training to the khadi institutes. The KVIC plays an important role as the link between the MSME and the KIs. The KVIC is responsible for categorizing khadi institutes according to their performance. Decisions on whether to render support such as financial assistance are made according to the requirement of KIs by the KVIC and the MSME. The policies or designs are made by the MSME and the KVIC, implemented by the KVIC and followed by the KIs. The funding is issued by the MSME only with the help of the KVIC.

Therefore, a fair selection of khadi institutes is extremely important. The categorization method has been developing over the last 15 years. Until 2004, the categorization process was not only written or discussed but was also implemented. However, from 2005 to 2016 the categorization was only a topic of either verbal or written discussion. The development of the categorization method was challenging. Both its strengths and weakness have been discussed briefly. In the author's opinion, it is an efficient and applicable tool to measure the performance of KIs. The structure of the khadi industry is massive and unique. Additionally, it operates in a decentralized sector which involves many thousands of employees working at mega, macro, and micro levels. In such a massive framework, a performance measurement tool is essential, and this tool should be easy to understand and implement. The current method is applicable to a wide range of KIs spread across the nation. If the scores are entered correctly, it can give quite accurate results. However, the major problem is not in the written documentation, which is also revised and modified regularly, but in the implementation of this method.

6. Multiple case study analysis and findings

To answer the research questions, this chapter considers three main points – core elements, dynamic capabilities, and role of innovation – in the low-tech traditional khadi institutes during the revival phase. This chapter is divided into four main sections. Each section provides a summary of the comparative analysis and findings. The first section provides a brief overview of the five selected cases. The second section focusses on the analysis of the influence of the core elements on dynamic capabilities. The third section discusses a comparative analysis of the emerged dynamic capabilities. In the last section, the role of innovation in the revival of low-tech traditional institutes is explained. Five successful⁸⁰ cases⁸¹ of low-tech traditional khadi industry were selected after a systematic selection process.⁸² Each case is briefly⁸³ introduced in this chapter. Details are enclosed in Appendix 1.

⁸⁰ Successful – A+ khadi institutes

⁸¹ Five khadi institutes were selected through categorization method.

⁸² Selection method – categorization method applied by the Khadi and Village industries

⁸³ Some more details of the cases are enclosed in the appendix of this thesis.

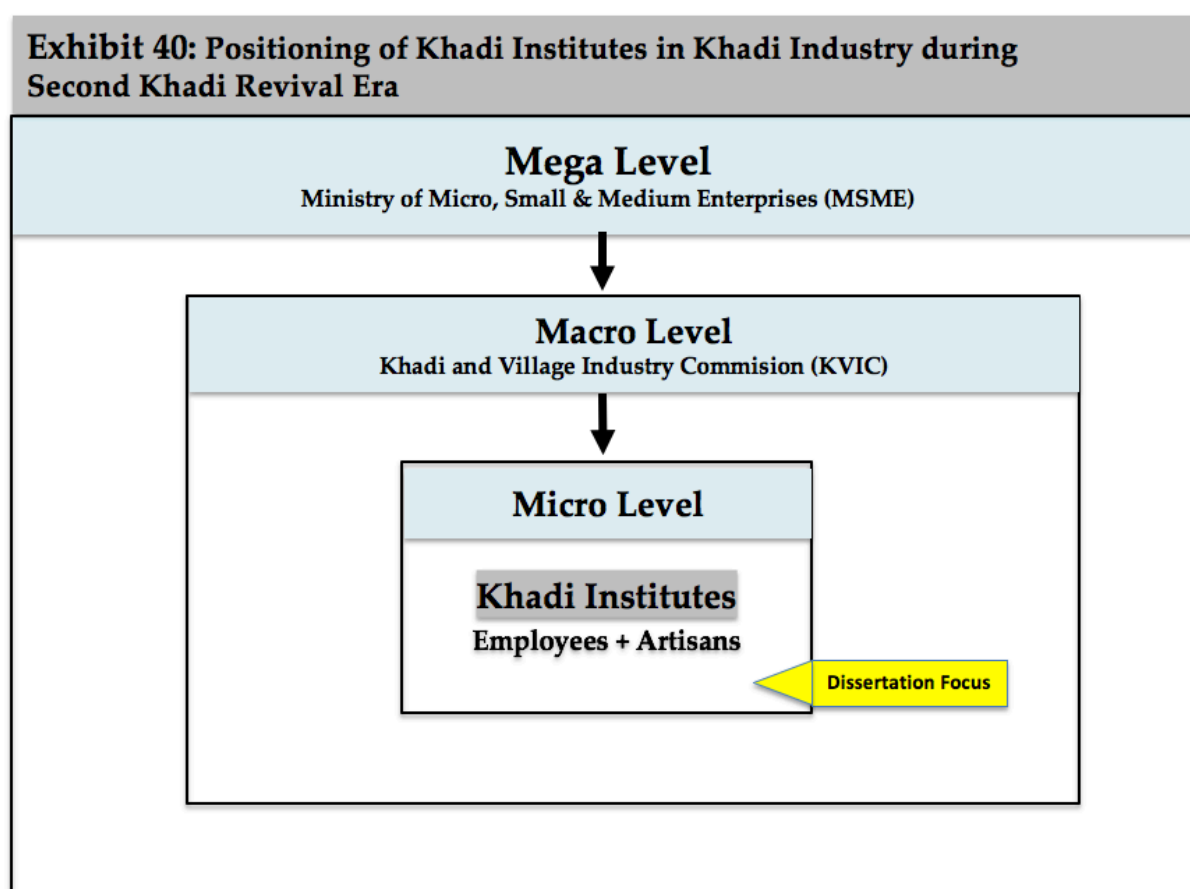
6.1. Comparative analysis

Comparison of five cases during the second khadi revival era

6.1.1. Case Overview

The positioning of khadi institutes during the revival phase

The positioning of khadi institutes in the khadi industry structure during the Second Khadi Revival Era (SKRE) is illustrated in Exhibit 40.



Source: Author (based on the field study)

The khadi industry consists of three levels.

- (1) The Mega level consists of the Ministry of Micro, Small and Medium Enterprises (MSME) with headquarters in Delhi is the topmost in the hierarchy,
- (2) The Macro level consists of Khadi and Village Industry Commission (KVIC) offices. KVIC headquarters is located at Mumbai. Each state has a KVIC state office which supervises the khadi institutes in that state.
- (3) The Micro level consists of khadi institutes across the country.

Location of khadi institutes

The five khadi institutes selected for this thesis are located in five different states: Rajasthan, Gujarat, Maharashtra, Uttar Pradesh, and Haryana. In each low-tech traditional khadi institute, the dynamic capabilities which were evolved during the SKRE enabled them not only to survive but to gain competitive success in the market. Currently, each one of them is highly successful and topmost in its state (A+ according to categorization).

Exhibit 41 (a): Location of khadi institutes (map)



Source: <https://www.mapsofindia.com>

Note: States marked in red boxes indicates the selected khadi institutes in five states – Rajasthan, Gujarat, Maharashtra, Uttar Pradesh and Haryana

Exhibit 41 (b): Location of khadi institutes						
	STATES	Mega Level MSME Head office	Macro Level KVIC Head office	Macro Level KVIC State Office	Micro Level Selected Khadi Institutes (Dissertation Focus)	
						Main unit location
1	Rajasthan			Jaipur	Khadi Institute 1	Dausa, Rajasthan
2	Gujarat			Ahmedabad	Khadi Institute 2	Gondal, Gujarat
3	Maharashtra			Mumbai	Khadi Institute 3	Nanded, Maharashtra
4	Uttar Pradesh			Lucknow	Khadi Institute 4	Fatehpur, UP
5	Haryana			Ambala	Khadi Institute 5	Karnal, Haryana
		Delhi	Mumbai	Delhi		

Source: Author's field visit in selected khadi institutes

This research has been done in all the three levels of the khadi industry (mega, macro, and micro levels) with a focus on khadi institutes (micro level). Offices and institutes were in the various cities of India mentioned in Exhibit 42.

Ranking of khadi institutes

Five low-tech traditional khadi institutes were selected after a six-step selection process.⁸⁴

Exhibit 42: Ranking of khadi institutes						
	Name and Address of the Institute	Marks obtained (self-appraisal)	Marks approved by field office	Marks considered by Central office	Final Grades awarded	Notes Scored highest marks
	Khadi Institute 1	-	192	192	A+	Topmost position in Rajasthan
	Khadi Institute 2	-	165	165	A+	Topmost position in Gujarat
	Khadi Institute 3	177	167	167	A+	Topmost position in Maharashtra
	Khadi Institute 4	-	165	165	A+	Topmost position in Uttar Pradesh
	Khadi Institute 5	-	168	153	A+	Topmost position in Haryana

Source: KVIC documentation; Information retrieved from the multiple spreadsheets of categorization applied by the KVIC.

Exhibit 42 shows the marks given to these institutes during the categorization process by the KVIC audit team. Based on these marks, each institute was given A+ grade. Although each one is topmost in its region, among the selected khadi institutes the highest marks were secured by Khadi Institute 1 (192 marks) and lowest marks were secured by the Khadi Institute 5 (153 marks).

⁸⁴ For details refer to Chapter 5 of this thesis.

Types of khadi institutes

Khadi institutes in India are spread across the nation. They are of diverse sizes, some have more resources than others, and some are more successful than others. In Chapter 4, three types⁸⁵ of khadi institutes are described.

Exhibit 43: Types of Khadi Institutes					
	Selected Khadi Institutes	Type	Type 1	Type 2	Type 3
	Khadi Institute 1 (KI1)	Type 1	3	2	0
	Khadi Institute 2 (KI2)	Type 1			
	Khadi Institute 3 (KI3)	Type 1			
	Khadi Institute 4 (KI4)	Type 2			
	Khadi Institute 5 (KI5)	Type 2			

Source: Author (finding of this research work)

Exhibit 43 shows that out of the five selected khadi institutes, two khadi institutes (KI1, KI2 and KI3) are of type 1. While the two khadi institutes (KI4 and KI5) are of type 2. None of them belongs to type 3⁸⁶.

First finding drawn from this research is thus that the successful khadi institutes are not all of one fixed type. For example, KI1 and KI3 are large khadi institutes which are engaged in both production and trading. Each one has many subunits spread over large areas. While KI4 and KI5 are comparatively small institutes. They do not have several sub-units because they have less production. Additionally, they focus more on trading, rather than on production. Their artisans also work mainly from home.

⁸⁵ Three types of khadi institutes are explained in Chapter 4 (pp. 79) of this thesis.

Type 1: In this category are the institutes which have their production. They produce and sell one or more types of khadi (cotton, silk, or wool) product. Some institutes have a large infrastructure and are financially strong, while others have smaller production units.

Type 2: In this category are the institutes which do not have their production or produce less. These types of institutes are more active in trading, be it in raw materials, finished products or even services, with other KIs.

Type 3: In this category are those institutes which are in the form of showrooms. They do not produce; they are engaged only in trading. They buy the products from other KIs, or sometimes, they give an order directly to artisans.

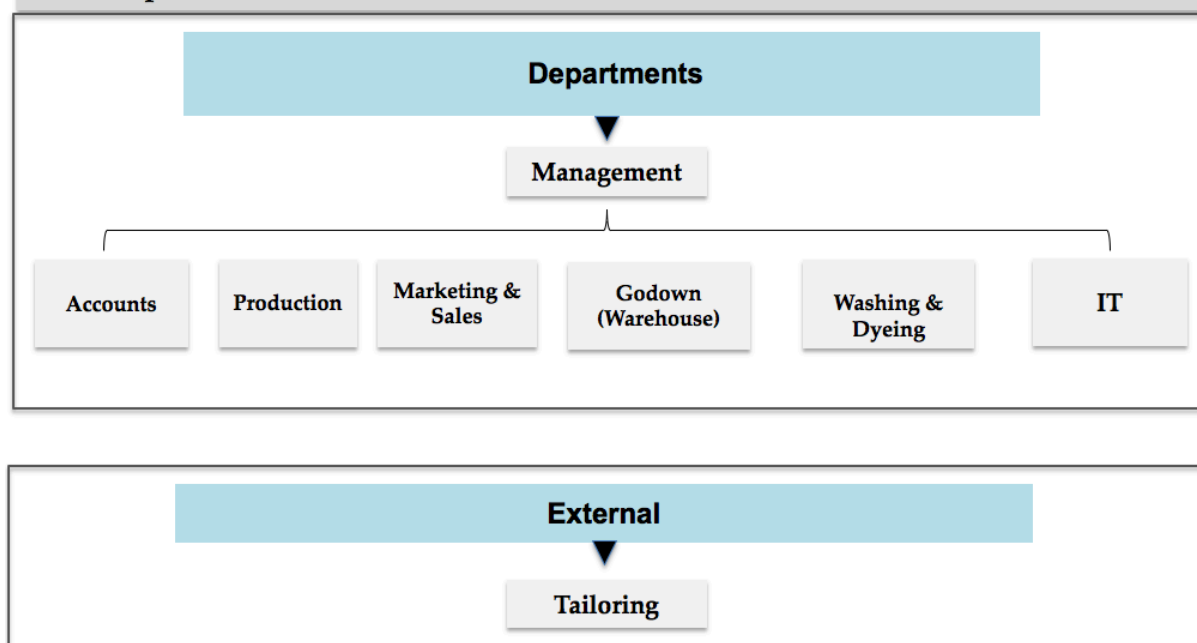
⁸⁶ During the field study author also visited two additional khadi institutes in every state. The author also visited one KIs which belong to category 3. It was located in Mumbai (west zone).

Departments of khadi institutes

The administrative organization of all the khadi institutes across the nation is similar. This happened because of their common roots, as explained in Chapters 3 and 4 of this thesis.

Exhibit 44

Main Departments in Khadi Institutes



Source: Author (based on the field study)

This research found that some departments are common to all the khadi institutes. However, it must be noted that in some khadi institutes these departments exist but are inactive.

Type of employees and artisans in khadi institutes

In the khadi institutes, two kinds of people work, khadi institute employees and artisans.

Khadi Institute employees: Khadi Institutes have two types of employees: office employees and field employees. (1) Office employees - Khadi institute offices have several departments, such as accounting, administration, and IT, and each may have a secretary, vice-secretary, and office staff. Such employees are categorized as office employees in this thesis. The store manager and the head of the laboratory are also considered office employees. (2) Field employees: Khadi institute employees who work in the sub-units away from the main unit or in the field, such as those in trading and marketing are called field employees. This category also includes employees who are responsible for showrooms and other outlets.

Artisans: There are two categories of artisans in the khadi institute. The first category includes the artisans who work in the KI's sheds.⁸⁷ The second category comprises the artisans who work from home. Artisans work part-time for hourly payment at the institute. Khadi institute employees receive a monthly salary, while the artisans receive wages according to the amount of spinning or weaving, they have done. They are paid throughout the month, typically at irregular intervals.

6.1.2. Core elements: Comparison of five cases

The literature review theoretically explained seven core elements: leadership, vision and strategy, harnessing the competence-base, organizational intelligence, structures and systems, culture and climate, and management of technology. During this research, the influence of each core element on the dynamic capabilities of the five khadi institutes was investigated in detail. Innovation⁸⁸ has played significant role in each core element which has also been described together with dynamic capabilities. The role of innovation is merged in the processes. The similarities and differences between these core elements were closely studied. This study found that these core elements have played a key role in the revival and success of the khadi institutes during the second khadi revival era. This section summarizes the influence of core elements on dynamic capabilities with some examples.

Core Element 1 – Leadership

This study found that leadership has played the most influential role in the revival of the low-tech traditional khadi institutes. All five cases⁸⁹ were strongly influenced by the overall challenges faced by the khadi industry during the last phase of the Post-Gandhian Era.⁹⁰ They were also challenged by the internal complex issues of the institutes. But because of their strong leadership, all these institutes were able to revive themselves and become successful. They are now considered topmost⁹¹ in their states according to the categorization used in the khadi industry. The influence of leadership can be illustrated by some examples. For example, khadi institute 1 (KI1) emerged from the verge of bankruptcy during the last phase of the Post-Gandhian Era to be the most successful institute during the Second Khadi Revival Era. One of the most influential factors in its revival and success was the change in its leadership. For example, between 1986 and 1993, KI1 was facing several challenges. Its overall performance and business were declining rapidly.

⁸⁷ Khadi sheds – Working place for artisans in the institute itself.

⁸⁸ As explained in chapter (2), innovation in low tech traditional industries of developing countries could not be compared with the high-tech industries in developed countries. Innovation in low tech institutes sometimes could not be even seen but it does have major impacts.

⁸⁹ A brief summary of the leadership influence with few examples is also enclosed in the summary.

⁹⁰ Post Gandhian Era (POGE) – 1948 to 1980. Refer to exhibit 1 or exhibit 4.

⁹¹ A+ category according to the categorization method.

In the low-tech traditional khadi institutes, leaders play a key role in the success or failure of the institutes. Therefore, a total of three leaders⁹² were changed by the advisory board in the hope of saving the institute from bankruptcy during this phase, but still, performance did not improve. At this critical time in 1993, the fourth leader⁹³ was appointed, and KI1's performance began to improve.

By that time, the institute was almost on the verge of bankruptcy, its performance and reputation had declined, products were not being sold, and the employees were strongly demotivated, so much so that they had started searching for other jobs. New leadership turned around the entire situation within a short period. The institute was not only saved from bankruptcy; it revived tremendously so that it became the top performer in its state. It was able to compete strongly in the market. This new leader had several years of leadership experience in various areas, including politics. He already came with strong networking and business relationships. And he was also technically skilled.

As soon as he joined the institute, he applied an innovative style of leadership, made lots of changes in the team, applied new strategies, and used his influence and relationships outside the institute. He used a slogan to motivate his employees: 'Do or Die.'⁹⁴ This slogan had a strong impact on employees' work style and attitude. Thus, within a short time, institute performance was brought back to normal. And soon it became the leading (A+; best performance) institute of that zone. Furthermore, he made sure to share his knowledge and train his successors. The institute's current leader⁹⁵ has continued to maintain the performance of the institute and made additional efforts to extend its boundaries internationally.

Another example is of khadi institute 2 (KI2). Since its foundation, only two leaders have been appointed. The first leader was the founder, and his successor is his son⁹⁶. This institute operates just like a family business; even the leadership position is also handed over to the successors from the family. In this institute, the leadership was so strong from the beginning that the crisis in the khadi industry did not have much effect on its performance. Nonetheless, this institute supported the Government revival programmes and benefitted from them. This was verified in an interview with an employee in KI2.

⁹² Leader – Here the reference is made for the secretaries of the khadi institutes. They are the head of the executive committee. In a simple explanation, they are the executive managers of the khadi institutes. All the important decisions are taken by them with the help of the board. For more details, refer to Chapter 4 of this thesis.

⁹³ In this context, the reference is made to the leader of the executive committee title secretary in the khadi institutes.

⁹⁴ 'Do or Die' – This slogan was used by the first leader of KI1. This slogan was used in the context of the situation of the institute at that time. It was almost on the verge of bankruptcy.

⁹⁵ Trained by the previous leader.

⁹⁶ The successor was also trained by the first leader and the founder.

‘Hamari sanstha main asar nahi hua per government ke liye kiye gaye badlaav ka hamne bhi swagat kiya’

Translation – Our institute was not affected much, but we did welcome the changes made by the Government.

This institute has only faced a few challenges so strong that its work almost stopped. Here is one example, few years back, the situation became so difficult that the institute was locked down for almost six months. The institute’s work completely stopped. The leader was taken to court by the institute’s employees’ union. During this crisis, the leader fought back strongly. He won all the legal battles and the institute was opened once more. It revived and became highly successful in its zone. Within a short period, because of the strong leadership’s decision-making skills, the institute was cleared of all charges. And the institute came back to its normal functioning. And was again placed as best in the A+ category. The leader decided to make significant changes, mainly in the team. Many old employees were fired, and new ones were recruited. New employees were properly trained. Similarly, in all the five cases, there were few differences in the leadership style and the challenges faced by the leaders. However, one characteristic common to all is that their impact was strong, so much that the institutes were able to revive and become highly successful. In summary, in all the five cases analysed, the core element of leadership and the innovative style of leadership played the most significant role in reviving the khadi institutes during the Second Khadi Revival Era. In the literature review, Steve Jobs of the Apple company was mentioned as an example of successful leadership. In this company, the leader’s vision and strategies were integrated and highly innovative. This combination took the company to the top after it was almost on the verge of bankruptcy. However, such a leadership style and the capacity to produce innovative products and processes that can impact firm performance at high speed is difficult to achieve in low-tech traditional institutes because of their different nature and limited resources. Leadership is a process, and it is an even longer process in a low-tech traditional industry where changes occur slowly. Most of the khadi institutes are struggling to survive due to increasing competition in the market, particularly from high-tech companies. In such a scenario, innovative leadership can certainly turn around the situation. These low tech traditional institutes are close-knit units which exhibit close leader-follower relationships. Most of the work is done manually and set in action by verbal communication. The motivation of most employees to work in general comes from the possibility of promotion, which means better income and an increase in the standard of living. There are few employees whose motivation comes from within in the form of passion. In low-tech traditional industries, promotions are given only after a long time, and even then, the salary package does not increase much.

Still, employees are loyal, and their commitment can be seen from their years in their jobs and long hours of work in a day. Several other factors affect their motivation to work, such as fear of being unemployed, loyalty, and respect for the values of the institute and its leaders. Leaders play an important role as motivators and mentors. The combination of skills and traits applied by the leaders to revive the institute was highly successful.

Core Element 2 – Vision and Strategy

As mentioned earlier, leadership plays a key role in the low-tech traditional institutes. It has a strong influence on vision and strategy. A common vision of all the levels in the khadi industry involved (1) reviving khadi institutes, (2) modernizing khadi products, services and the infrastructure, (3) attracting the youth and focussing on their demands, (4) increasing sales, (5) supporting and promoting the artisans, and (6) developing khadi as an international brand. Innovation was an integral part of this vision. For this purpose, several strategies were implemented at the mega level by the Ministry of Small and Medium Enterprises (MSME), at the macro level by the Khadi and Village Industry Commission (KVIC), and at the micro-meso level by the khadi institutes. All the three levels worked together to achieve this common vision of reviving the khadi institutes, which eventually led to the overall progress of the khadi industry. At the mega and macro levels, the main strategies were to support the efforts of the khadi institutes, such as by giving them more funds for renovation, for new spinning wheels and looms, and for renovating their showrooms. At the micro level, khadi institutes applied several common strategies. These included efforts to gain (1) more support from the upper levels (KVIC and MSME), (2) support from media to market the products, (3) support from influential people in the community, and (4) support from other organizations, such as the fashion industry and textile research and development institutes.

Examples of some institute-specific strategies are also mentioned here. KI5 applied the strategy of mass production of a few khadi products. They became highly selective in choosing their buyers as they aimed to find buyers who could place large orders regularly. They directed all their resources into finding such buyers; in particular, they targeted Government orders. For instance, one of their biggest customers is Indian Railways.⁹⁷ Railways authorities regularly give large orders for similar khadi products. Another customer is the Indian Police. The uniform of the Indian police is made from khadi fabric. Again, such buyers place large orders.

In another example, KI2 also applied several innovative strategies. Two are mentioned here. Firstly, they fully focused on the high quality and new designs of the products.

⁹⁷ In the Indian trains, several products such as blankets for first class are provided by the railways.

This was also the slogan of the founder, which later became the institute's slogan and its basic principle.

‘asa banao ki log khud aayen’

Translation with explanation – Make such a quality product that the customers come on their own, without any marketing.

Secondly, they worked together with the khadi research centres to develop and test a new product called Poly khadi. Since, the customers were not getting attracted anymore with the traditional khadi products. Poly khadi was introduced. This innovation in the product and the processes was highly successful. Their brand, called P1, became one of the most popular poly khadi brands. Now several khadi institutes are buying and selling khadi products. Although the traditional khadi institutes do not accept poly khadi as pure khadi, thus it is an ongoing discussion. Nonetheless, KI2 started producing and selling poly khadi products. There was a tremendous increase in demand which is also confirmed by a KI2 employee in an interview:

‘bahut grahak line main khade rahte hain P1 khadi ka saman lene ke liye’⁹⁸

Translation – There is a long queue of customers who wait to buy P1 khadi.

Additionally, this institute also applied another new strategy of seeking large orders. One of their big buyers is a large school⁹⁹ located in Delhi. The institute received a 2-year contract to make the uniforms of students, largely from poly khadi. Similarly, they receive many large orders from Bombay and Delhi-based shopper franchises, chain stores, and shopper stops. But they also try to avoid such orders because of the complications involved in working with such stores. All five institutes had a clear vision during the revival phase. The innovative strategies they applied were also highly effective and were devised according to their resource bases and institute-specific skills.

Core Element 3 – Harnessing the competence base

This study found that this core element also played a significant role in the revival of low-tech traditional khadi institutes. All the five selected cases harnessed their competence base. To analyse this core element, it is further divided into four parts: resource management, a variety of funding channels, marketing and sales, and business relationships and networks.

⁹⁸ Hindi language

⁹⁹ On one side, the school management is also making efforts to support the khadi industry. On the other side, it is making efforts to teach their students the historical value of khadi.

Resource Management – During the revival phase, innovative strategies were applied by all the five institutes to manage the resources properly. This is also one of the biggest reasons for their survival and success. Three kinds of resources are important in low-tech traditional institutes: human resources, financial resources, and raw material. Human resources are easily available. However, it is difficult to find skilled artisans and technically sound employees. For financial resources, most of the institutes depend on external sources such as government funding or their earnings from alternative sources. Finding raw material in cheap costs is also a challenge for the khadi institutes. They are legally bound to buy some of their raw material, such as fluffed or carded ginned cotton, called *puni*, only from the plants registered by the KVIC. It is illegal to buy khadi from private plants. The problem is there are few registered plants in India. They are not able to deal with the high demand of all the institutes. Therefore, delays in the supplies have a serious chain effect on the production at the khadi institute. The institutes also must organize their financial resources. For example, at KI1, the leader arranged funds from a variety of sources, such as the Government, the influential people of the community, and from revenue earned from selling village industry products. He is also well connected and has used all the schemes available from the Government.

KI2 provides a very different example. Most of the population of this area are *kshatriyas*¹⁰⁰. These families are extremely conservative. Most of the kshatriya families do not allow their women to work outside. Women must wear *sarees*¹⁰¹ and cover their heads. Therefore, employing these women as artisans is easy in this area. They work from home and charge less money. KI2 engages about 700 spinners. They are given training by the khadi institute employees every 3 months. They take the raw material home and bring back the semi-finished product. For instance, to stitch a 12-inch duster takes 3 to 5 minutes. They are paid 55 paise each. A similar strategy is applied by KI5; Most of the population of this area are Rajput people (Rana families). These families do not allow their women to work outside either. To deal with the problem of shortage of raw material, KI4 adopted the strategy of trading with other khadi institutes. Whenever they have a shortage, they buy both raw material and finished products from other khadi institutes. In this institute, employees from other institutes frequently visit case 2 as buyers. And the employees of case 2 frequently visit other institutes as well. During the field study, it was observed that a group of traders from the western part of India were visiting this institute.

¹⁰⁰ Kshatriya is the name of a specific caste in India. Several Kshatriyas reside in Gujarat.

¹⁰¹ Saree is the name of Indian women's clothing.

Variety of funding channels: During the revival phase, low tech traditional institutes received funding mainly from three channels (1) Funding from the Government, (2) Funding from the village industry sales, and (3) Funding from other sources (such as individual sponsors, etc).

Marketing and Sales: In low-tech traditional institutes (LTTIs), changes to the way marketing and sales were done in the past have enabled the institutes to survive and find opportunities to gain competitive advantage. Marketing was not even considered earlier in the traditional institutes because of low budgets and scarce resources. Moreover, institutes such as khadi institutes and village industries, having historical importance, were well known, so marketing was not even required. Although some changes regularly took place in the products and processes of the traditional institutes, the nature of sales outlets, sales skills, and presentation was not transformed to meet the changing requirements of the market. This was also one of the causes of stocks in such institutes increasing and sales decreasing. But in recent times, this problem has been recognized, and significant measures have been taken to change how sales are made in the institute. The influence was so strong that it helped in a complete turnaround of the situation (this point is discussed in this chapter and is demonstrated with evidence in the case studies in Annexure 1).

By the time the Second Khadi Revival Era (SKRE) began, the concept of marketing and its advantages were well known. As explained above, in the previous stage, the Post-Gandhi Era (POGE), innovation in marketing and sales was negligible. This was one of the main reasons for the decline of the khadi industry and the bankruptcy of several khadi institutes across the country. Consequently, in the SKRE, applying innovative techniques in marketing and sales became one of the main objectives of all three levels (mega, macro, and micro). It was during this time that a variety of marketing and selling techniques were applied to promote khadi.

For instance, (1) new khadi showrooms were constructed. New khadi shops were also constructed during the Post-Gandhian Era, but this time the main difference was that the infrastructure of the khadi showrooms was modern. This kind of ultra-modern showrooms was made to compete with other shops and showrooms.

(2) Marketing strategies were also revived. Support was taken from the fashion industry. Khadi clothes were designed according to the demands of modern customers. Ramp shows were organized with the help of famous fashion designers and models. The display of khadi clothes on ramps made a huge impact in the mind of modern customers. Khadi, long a patriotic cloth, now also had the image of an exotic cloth. This strategy attracted youth significantly.

(3) As in the Post-Gandhian Era, khadi exhibitions continued to be organized. But in this era, the unique point in these exhibitions was not only sale discounts. During these special exhibitions, khadi was still sold at discounted rates. But khadi institutes now used modern techniques and displayed modern clothing along with the traditional clothing. For example, in one of the oldest khadi institutes in Uttar Pradesh, the designer bridal dress was displayed made of khadi silk. And in one of the khadi institutes in Rajasthan, file folders, office bags, stationery bags, and school bags are made in different colours using khadi. Khadi showrooms and exhibitions are filled with many options for all kinds of customers now. This range of options was missing in the Post-Gandhian Era.

(4) With the support of mega and macro level, khadi institutes have also made changes in khadi. These include (a) different techniques to colour khadi, applied in such a manner that the uniqueness of khadi is not spoiled. Many institutes also apply organic and vegetable colours. (b) Poly khadi came into existence; it made the fabric softer. Clothes made of poly khadi are soft on the skin and easy to maintain. Khadi institute 2 is becoming highly successful and popular because of its products made from poly khadi. (c) News and updates about khadi events are announced through the internet on websites and social networking sites, and television, newspapers, and radio. (d) Khadi products are even becoming popular in high society events and fashion events. For example, the current prime minister of India, Narendra Modi, has been seen wearing khadi jackets and khadi clothes. Mr. Amitabh Bachchan, a legendary Bollywood actor, is the brand ambassador of khadi. Many dignified celebrities now promote khadi by wearing it during special public events. (e) At Government events, particularly in the political arena, most of the leaders and members of the political parties wear khadi clothes. Wearing khadi products is considered an indication of patriotism and a constant reminder that the sacrifices made for the country by the freedom fighters are not forgotten.

Khadi was used as a political tool during the Gandhian Era. Therefore, it is considered as the national fabric of India. Even the national flag after the independence of India was allowed to be made only from khadi fabric in a khadi institute registered by the Government. This is the Marathwada Khadi Gramodhyog Samiti, included in this study as KI4. Political leaders used their platform to publicize khadi products during mass public gatherings. They used khadi kurtas, dhotis, topis and jackets. Khadi bed sheets were used, village industry products such as dari, a kind of handmade carpet, were used, and many of the products used in everyday life were either khadi products or village industry products. In the Gandhian Era, innovation was deeply embedded in marketing and selling techniques. Sellers and customers knew each other very well.

Khadi products were the items of necessity as there were no other options available during that time. On the demand side, the preferences did not change much. Therefore, the same products with very few changes were sold in the market into the POGE. This gave birth to the next stage, the SKRE. In the five case studies (focused on Second khadi revival era) different marketing and selling techniques applied by the successful institutes will be discussed.

Business relationships and networks: Relationships in this study can be divided into two main kinds, internal and external. Internal relationship influenced the khadi institutes in many combinations. These included relationships between the employees at mega and macro level and the employees of micro-meso level, between leaders of khadi institutes and the KVIC employees, between leaders of khadi institutes and their board members, and between leaders of khadi institutes and their employees. If the relationships were healthy, the work was done; otherwise, it had adverse effects. In the same manner, several combinations of external relationships influenced khadi institutes: the relationship between khadi institutes and customers, between leaders and members of political parties, between leaders and influential members of the society, between leaders and media, between all levels of the khadi industry and knowledge-based institutes such as research institutes, between KIs and fashion designers and models, and between khadi institutes and other market brands. Several innovative strategies were applied to build strong relationships during this phase.

In khadi institutes, relationships are of several types: (1) Between institute and suppliers (e.g. raw material) and (2) between institutes (e.g., products), the medium of exchange could be money, or it could be a barter system. (3) Between institutes and other organizations (e.g., research centres, fashion schools, media, university) the medium of exchange is the permission the institutes provide to use and work in their premises. In exchange, other organizations provide them with ways to improve their products and processes, train the employees, and support in publishing, marketing. (4) Between institutes and individuals (such as senior nationalists, businessman, politicians, etc), who are given places on the board or the advisory committee. Institutes receive their knowledge, experience, and networks while these individuals have the chance to connect through the institutes with the government directly. They also gain the opportunity to serve their country, support artisans, and utilize their knowledge and experience by supporting these institutes.

For example, case 2, (1) Khadi institute received several benefits because of the good relationships of the with the political party members. Example – Kumud Bahen Joshi was a former minister of Gujarat. She helped the khadi institute by providing several funds to produce more spinning wheels. Khadi institute 2 is also known for producing innovative weaving and spinning tools. (2) Khadi institutes having good relations with other institutes get multiple benefits during trading.

Core Element 4 – Organizational Intelligence

Organizational Intelligence as a core element has also influenced all the five cases during the revival period. In all the five cases they adopted several similar strategies to learn about their customers. It must be noted that in the earlier phases of the khadi industry, the khadi institutes never felt the need to learn about their customers or their competitors. This lack of knowledge on the supplier side was also one of the factors which had weakened the performances of the khadi institutes. They did not pay attention to the changing demands of the institutes. They even ignored the increasing competition in the market.

Learning about the customers: Thus, during the revival phase, several efforts were made to learn about the customers. A few common points are mentioned here. (a) Sales teams started becoming more involved in direct conversation with the customers. They focused more on learning about the customers' expectations. (b) Customer satisfaction forms were prepared. (c) Knowledge was gained from the experience of other khadi sellers: through word of mouth in an inner circle. (d) Efforts were made to understand customer views through media (newspapers, television, theatres, etc). Khadi employees used the media as a tool to gain understanding of their customers.

They started regularly watching the daily soap operas, television series, advertisements, movies, and fashion shows to understand the views and choices of the modern customers in the textile market and their views about khadi. For example, in KI2, customers' opinions were especially gathered during khadi mela.¹⁰²

Learning about the competitors: Similarly, during the revival phase several efforts were made to learn about the competitors. Khadi institutes have two main types of competition. The first is from other khadi institutes; they have many similarities. The second competition is from private companies selling machine-made products. Information comes mainly by word of mouth because people are closely connected in the khadi circle. (a) Word of mouth (information received from inner circle), (b) Survey and observation in the market, (c) Information received from media.

¹⁰² Khadi mela means sale of khadi products at an exhibition.

They are leaders in this zone. They learn about their competitors through word of mouth.

Core Element 5 – Structures and Systems

In this study, it was found that the structures and systems are also considered as one of the strongest core elements. In this thesis, this point is analysed using two indicators, organizational structure and reward systems.

Organizational structure: Organizational structures¹⁰³ of the khadi institutes are all broadly similar. They consist of two levels: advisory board and executive committee. The constitutions of the advisory board¹⁰⁴ are based on the guidelines of the KVIC.

Reward Systems: In all the five institutes, reward systems were highly encouraged. Awards in the form of certificates or finance are allotted to the best performers. Several kinds of other benefits are also given, mainly to the artisans or their families such as fees for children's schools or financial assistance for medical problems. For example, in KI2, one artisan village had a water supply problem. This problem was solved by the management. No money was taken from the artisans for this support.

Core Element 6 – Culture and Climate

In this study, it was found that culture and climate is one of the strongest core elements. In this thesis, this point is analysed using two indicators, empowered employees and communication.

Empowered employees: To revive the khadi institutes it was essential to empower the employees first. Thus, the upper levels (KVIC and MSME) developed several projects. Most of the training and workshops given in these programmes are funded. In this study, it was found that the institutes encourage their employees and artisans to regularly participate in these programmes to empower themselves.

At the institute level, help includes (1) medical assistance, (2) education assistance for employees' children, (3) budget for emergency assistance, (4) budget for natural disasters, (5) Janshree Insurance premium, (6) assistance for drinking facilities and toilets, (7) artisans' insurance, and (8) accident and death claims by artisans. Some specific examples may clarify this point further. In KI4, the khadi industry officials,¹⁰⁵ with the support of other Government schemes, helped make houses for the artisans. Spinning and weaving sheds are also made in their homes. Even the new spinning machines are distributed.

¹⁰³ Refer to exhibit 9 (organizational structure) for details.

¹⁰⁴ Refer to chapter 3 (Low tech traditional industry of India) for details.

¹⁰⁵ Three levels of khadi industry – Mega, Macro, & Meso.

A technician frequently visits the artisans' homes to check their machines and to give them regular training. In the financial year, 2012-2013, khadi institute 4 provided about 6-7 lakh rupees to the artisan welfare scheme. This provided scholarships to artisans' children while they studied at middle and high school (from 9th to 12th class). They were given scholarships of 100 rupees per month. In KI5, an artisan was disabled during work. The institute supported the artisan by helping him financially and by taking additional efforts to obtain his due financial assistance from the respective authorities quickly. The empowerment of employees and artisans plays an important role in low-tech traditional institutes because in this industry, the salaries are very low and workloads very high. Most of the work is manual; it requires a lot of hard labour. Nonetheless, several employees have been working in these institutes for many years and supporting the institutes' efforts to gain a competitive advantage in the market. The motivation to work and to stay in the same industry for a long time is possible in such conditions only when a continuous effort made to empower them. The foundation of khadi institute culture is part of the national and social culture, values, and philosophy. This basis motivates the employees to work diligently and strive hard to perform better to maintain their dignity as well as the company's and the country's dignity. Employees feel pride in working for institutes that are based on culture and values, and it is this that motivates them.

Communication: The influence of this core element is strong. In the khadi institutes, there is a culture of a high level of internal communication and immediate informal reporting. Communication is made through three main media: face to face, through simple phone calls, or fax machines. Recently free social networks, such as WhatsApp, are also frequently used for communication. E-mails are used, but not frequently. The technical skills of the employees working in khadi institutes is weak. Technology has never been given importance in this industry. In fact, during the Gandhian Era, machine-made products were fully boycotted by the freedom fighters. Thus, none of the core manufacturing processes in this industry requires technology.

Old employees are not used to working with technology. This study found that in all five cases, communication plays an important role. Employees are closely connected. Every single large or small issue is reported or discussed immediately by phone throughout the day. Leaders keep a close eye on the employees and the work.

Core Element 7 – Management of technology

This study found that the influence of this core element management of technology was less than other core elements. In the low-tech traditional khadi institutes, the use of technology was minimum. There are several restrictions on the use of technology in the khadi industry. This is for several reasons. For instance, the main purpose of this industry is to provide employment mainly to rural people and so increase their economic stability.¹⁰⁶ It is officially not allowed to use spinning or weaving machines using electricity.¹⁰⁷ Therefore, hand spinning wheels and hand or leg looms are used for producing khadi. During the revival phase, it was observed by the khadi industry officials that to revive and modernize the khadi products and services it was important to use technology in the khadi institutes. However, using a lot of technology might lead to massive unemployment,¹⁰⁸ and additionally, the fundamentals and principles on which this industry is based would not be followed. This is not acceptable to most of the people involved in the khadi industry. Thus, the technology is now being managed in such a manner that it can surely support the revival process without disturbing the old foundations in any manner.

Thus, the management of technology has been extremely challenging in these institutes. It was found that despite initial resistance, technology is slowly entering in the khadi institutes. During the revival phase, technology has played an important role in the khadi institutes. For example, new computers were installed in all the five selected institutes. Information technology (IT) departments also came into existence, though currently the people working in these departments are not recruited by the khadi institutes. They are recruited and paid by the KVIC as part of the revival and reformation programmes. This is the initiative taken by the upper levels of the khadi industry to support the khadi institutes. Employees of the institutes are also given advanced technology training at workshops. For example, at KI1, workshop and advanced technology training in khadi processing were given in the IIT institute in Delhi. In KI1, KI2, and KI3, new computers were installed under the Scheme of Fund for Regeneration of Traditional Industries (SFURTI).¹⁰⁹ In KI2 and KI3, electronic price tag machines are now frequently used. This has increased the efficiency and speed of the employees. In KI5, a computer screen is also used to monitor the employees and artisans working in the institute. In KI2, new technologies are being tested to improve the spinning wheels and looms. The khadi institute in collaboration with Mahatma Gandhi Institute of Rural Industrialization (MGIRI) was experimenting on the application of solar energy for spinning wheels and looms.

¹⁰⁶ This point is further elaborated in the appendix.

¹⁰⁷ Reasoning behind this point of discussion is further explained in the appendix.

¹⁰⁸ Because machines will replace the artisans.

¹⁰⁹ <http://vikaspedia.in/agriculture/policies-and-schemes/rural-employment-related-1/sfruthi>

The artisans' statements in interviews indicated that this experiment was a success and very popular with the artisans. On an average day, artisans work for 7-8 hours manually. Using solar energy will decrease the workload of the artisans to some extent. Artisans will still work, they will not be replaced by technology, but technology is being tested to find solutions to support them. At the time of the field study, some khadi institutes (such as KI1 and KI2) were officially testing e-charkha (electronic spinners) and e-kargha (electronic weaving machines) with the support of the MGIRI. At this time, parliament also discussed whether the use of electrical power in the khadi industry should be made legal and encouraged or not. In a few cases,¹¹⁰ the illegal use of power was also found. During the field study, one spinning wheel was observed attached to an electric motor. In another case, products worth millions of rupees were made directly by using electric machines. Instead of artisans, people were working in the institutes like factory workers whose main task is only to supervise the machine-made products and deliver the orders. Use of technology in such form is strictly prohibited in the khadi institutes.

6.1.3. Dynamic Capabilities: Comparison of five cases

To analyse the dynamic capabilities, they are further divided into three parts: sensing, seizing, and reconfiguration.

Dynamic Capability 1: Sensing

Sensing is further divided into three processes: (1) to direct internal R&D and select new technologies, (2) to tap supplier and complementor innovation, (3) to identify target market segments, changing customer needs and customer satisfaction, and (4) to tap supplier and complementor innovation.

Processes to direct internal R&D and select new technologies

Several processes have been adopted by the five selected institutes to direct internal R&D and to select new technologies. Some common ones are mentioned here.

(1) Regular meetings were given high importance. Three kinds of meetings take place in khadi institutes. Firstly, the advisory committee meets every 3 months. Secondly, regular monthly meetings of the executive committee. Thirdly, regular informal meetings or discussions with staff and artisans daily.

¹¹⁰ Details are not disclosed in the thesis because it is beyond the boundaries of this research topic.

(2) High level of internal communication and immediate informal reporting. This process also played an important role during the revival phase. All the key khadi institute employees are strongly connected. They mainly communicate using mobile phones. Every single large or small issue is reported or discussed immediately by phone throughout the day. (3) Product testing laboratories¹¹¹ have been set up in many khadi institutes. For example, right before the fieldwork at KI1, a testing laboratory was opened.

It was explained by the employees that this laboratory will save a lot of time. (4) Market search. New ideas, products, processes, and designs are explored using different media, such as market searches through newspapers, television, movies, and the Internet. Even the samples of products and processes made in high-tech industries were observed and studied. Regular visits are made to fairs. (5) Collaboration with external organizations is encouraged. Support is taken from the fashion industry and technical organizations. For example, the Mahatma Gandhi Institute for Rural Industrialization (MGIRI) has been working together with KI2 to run several experimental projects before they are officially allowed for other institutes. During the author's field visit, they were testing a solar charkha¹¹² and solar loom. In another example, KI1 is working closely with the National Institute of Fashion Technology (NIFT). The NIFT employees regularly visit the institute and work on several kinds of projects. During the field work,¹¹³ a recent internal project report of such a collaboration was shared with the author by the director of the institute. (6) Support from external organizations, for instance in understanding which natural component could be mixed with the cotton to make it attractive for customers. At KI2, a new product called poly khadi¹¹⁴ is becoming extremely popular with customers. (7) Travel and Training – Employees are sent to different institutes for exposure and proper training. For example, employees from several institutes visit KI2 to receive technical training in operating the spinning wheel and loom. Employees are also encouraged to participate in textile exhibitions. KI2 itself is famous for its training and research. It is considered one of the best training centres for technical skills. Other organizations visit regularly to learn technical skills. MGIRI has regularly worked with KI2 to run experimental projects before they are officially allowed for other institutes.

¹¹¹ Earlier, product testing was done in external testing laboratories.

¹¹² Solar Charkhas are looms – Spinning wheels and looms which could be partially run by using solar power. It must be noted that in the khadi industry it is not allowed to use any kind of power except manual power to run this wheels and looms. Since, solar energy is natural. MGIRI and Case 2 were permitted to do the testing..

¹¹³ Collaboration with external organization (Case 1; NIFT)

¹¹⁴ Poly Khadi or Polyester khadi is hand-woven fabric using mill-made polyester-cotton yarns.

Processes to tap supplier and complementor innovation

Several processes are adopted by the five institutes for this purpose. These are mainly training, visits to national and international exhibits, and close contact with technical people and researchers. Regular testing of products in the institute laboratory also emerged as an important process during the revival phase.

Processes to identify target market segments, changing customer needs and customer satisfaction

Several processes are adopted by the five selected institutes for this purpose. The most prominent one is by using organizational intelligence¹¹⁵ (more explanation is also given in the discussion of core elements above). Various strategies are applied to learn about the customers and competitors. These strategies have helped in identifying the target market segments, understanding and acting to meet changing customer needs and customer satisfaction.

Processes to tap supplier and complementor innovation

Several processes have been adopted by the five selected institutes to direct internal R&D and to select new technologies. Some common ones are (1) information gathering (2) market observation (3) At KI4, they designed a double vested jacket. The tailor and the institute employees had this idea from a product made by machine. Similarly, a huge change is currently occurring in the entire khadi industry in clothing design. Now the clothes are designed to meet the demands and interests of modern-day fashion, and the focus is on the youth.

Dynamic Capability 2: Seizing

Several processes are adopted by the five selected institutes for seizing: (1) delineating the customer solution and business model, (2) selecting decision-making protocols enterprise boundaries to manage complements and control platforms, and (3) building loyalty and commitment. The structure of the khadi industry business model was reformed particularly for this purpose. It was also formed by keeping in mind the collaboration with external international organizations like the Asian Development Bank. This was the first time that an international organization was involved. Customer demands were given high priority. That is the reason why even fashion ramp shows were organized to meet the demands of the youth.

¹¹⁵ Refer to core element 5 (Structure & Systems – Organizational Structure) for details.

Dynamic Capability 3: Reconfiguration

Several processes are adopted for reconfiguration. They include decentralization and near decomposability, governance, co-specialization, and knowledge management. Several processes are adopted by the five institutes to achieve decentralization and near decomposability. The khadi industry is decentralized. It has three levels: mega level (MSME), macro level (KVIC), and micro level (khadi institutes). Each level¹¹⁶ is further divided into several departments. In the khadi institutes, there has always been a proper division of labour. However, all the departments are very closely connected. They make decisions and work collectively. During the revival phase, all five institutes paid more attention to this area. Specific tasks or departments were assigned to the employees. Each person was asked to report regularly about their department. However, their structures differ. For example, at KI4, all the employees responsible for different tasks sit in one big hall, including the secretary of the institute. Their desks are positioned in such a manner that they face each other. Most of the talks and discussions are done openly. This arrangement is made to indicate equality and transparency. In other institutes, such as KI1, KI2, KI3, and KI5, the leader has a separate office. Most of the departments are also given different rooms. Several processes are adopted by the five institutes to achieve co-specialization. Khadi products are developed after passing through various stages performed by different people or departments. For example, for high-quality weaving, high quality looms are also required. KI2 is also specialized in the construction of spinning wheels and looms. They supply these tools to other institutes. KI2 also trains the artisans and trainers and is continuously engaged in improving these tools, such as the amber charkha.¹¹⁷ Thus, co-specialization is achieved in this case by working and reporting the details to each other regularly.

¹¹⁶ Refer to Chapter 3 for further details.

¹¹⁷ Amber charkha (New model of spinning wheel)

6.1.4. Role of innovation

As discussed earlier an examination of innovation is usually excluded from the discussion of dynamic capabilities in the firm. In the context of low-tech traditional institutes (LTTIs), it is excluded to an even larger extent. The aspect of innovation is hardly discussed or examined in traditional industries. In this thesis, this problem has been rectified by evidence from the field. A remarkable shift is currently ongoing in the khadi industry (SKRE phase; thesis focus). The image of khadi which was linked with the freedom struggle is now on its way towards becoming a fashion brand. The entire industry is passing through a revival phase. The Khadi and Village Industries Commission (KVIC)¹¹⁸ has been instrumental in this process. An optimistic approach has been applied through which tremendous efforts are being made to revitalize this traditional sector. The focus is also on increasing employment in rural areas (The Tenth Five-Year Plan, 2002–07)¹¹⁹. Many other changes are taking place: sales are increasing, stocks are diminishing, demand is increasing, modern outlets are being founded, funding for revival programmes is being allotted, and national and international organizations are actively participating in this revival process; several governmental and non-governmental resources and schemes have together started making a mass effort to make khadi a fashion brand. This effort is being made all over the country. Khadi, as a product, is now seen from a different perspective by the Indian textile market. These changes have resulted in pushing the khadi business curve upwards. The main element which has contributed in this change is innovation. The role of innovation has influenced all the planning, products, processes and strategies as explained in the above sections.

Innovations in low tech traditional industry of developing countries could not be compared with the high-tech traditional industries in developed countries. During the second revival era the role of innovation is integrated in all the processes right from the brainstorming phase until the products are sold. In this thesis several examples of the role of innovation are given in the comparative analysis section, core elements (6.1.2) and dynamic capabilities (6.1.3).

¹¹⁸ The Khadi and Village Industries Commission (KVIC) is an apex organization which comes under the Ministry of Micro, Small and Medium Enterprises. Its objective is plan, promote, facilitate, organise and assist in the establishment and development of Khadi institutes. It was formed by the Govt. Of India, under the Act of 1956 (Source- KVIC official website - <http://www.kvic.org.in/>).

¹¹⁹ Five year plan – Govt. of India (<http://planningcommission.gov.in/plans/planrel/index.php?state=planbody.htm>)

6.2. Findings

There are three main findings of this study. Firstly, the study indicates that the core elements have strongly influenced the dynamic capabilities of khadi institutes during the revival phase. It was also found that some of the core elements which are influential in high-tech industry firms are not significant for low-tech traditional institutes. Secondly, in this study, the complex process of the evolution of dynamic capabilities in low-tech traditional institutes during the revival phase has emerged. This process could be used as a guideline to strengthen other weak institutes. The finding also indicates that the processes adopted in the low-tech institutes to strengthen their capabilities might look similar to those in high-tech industry. However, their implementation is quite different from those of the high-tech firms. The findings in this study are specific to the revival of low-tech traditional khadi institutes in India. Nonetheless, the findings of the study should encourage researchers to explore the emergence of dynamic capabilities in other low-tech traditional industries located in other developing countries. Thirdly, the findings indicate that innovation played a most important role in the revival of low-tech traditional institutes. Right from the thought of revival until its implementation, innovation was completely integrated into every step.

6.2.1. Answers of the research questions

The main aim of this chapter is to find the answers to the three research questions.

Research Question 1. How do core elements influence the dynamic capabilities of low-tech traditional institutes during the revival phase?

In this study, it was found that there are seven core elements which have influenced the dynamic capabilities of successful low-tech traditional institutes during second khadi revival era.

Exhibit 45: Core Elements	
Core Element 1	Leadership
Core Element 2	Vision and Strategy
Core Element 3	Harnessing the competence base
	Resource Management
	Variety of Funding Channels
	Business relationships and Networking
	Marketing and Sales
Core Element 4	Organizational Intelligence
	Learning about the customers
	Learning about the competitors
Core Element 5	Structure and Systems
	Organizational Structure
	Reward Systems
Core Element 6	Culture and Climate
	Empowered Employees
	Communication
Core Element 7	Management of Technology

All the core elements are interconnected and interdependent in the low-tech traditional khadi institutes. A change in one core element affects all other core elements. Each core element has important and specific characteristics. Thus, all the core elements have together as a whole influenced the dynamic capabilities. Some of the findings related to the core elements are summarized below. Leadership is the strongest core element. It had the strongest influence on the dynamic capabilities of the selected khadi institutes during the revival phase. Conversely, technology is the weakest core element in khadi institute. This industry is making efforts to modernize and innovate but also trying to avoid technology to maintain its core traditional values. Therefore, the usage of direct technology is limited, so it had less influence on the dynamic capabilities of khadi institutes. However, all their networking partners use technology fully. This core element must be strengthened in the future.

Research Question 2. How do the dynamic capabilities of successful low-tech traditional institutes evolve during a revival phase?

Dynamic capabilities (sensing, seizing and reconfiguration) which either evolved or were strengthened during the revival phase have enabled the khadi institutes to survive and secure the highest position in the market.

Exhibit 46: Dynamic Capabilities		
Sensing	Seizing	Reconfiguration
Processes to direct internal R&D and select new technologies	Delineating the customer solution and the business model	Achieving decentralization and near decomposability
Processes to tap supplier and complementor innovation	Selecting decision-making protocols	Governance
Processes to tap developments in exogenous science and technology	Selecting institute boundaries to manage complements and control platforms	Managing co-specialization
Processes to identify target market segments, changing customer needs and customer innovation	Building loyalty and commitment	Knowledge management

All the dynamic capabilities together have played a significant role in strengthening the low-tech traditional khadi institutes examined in this study.

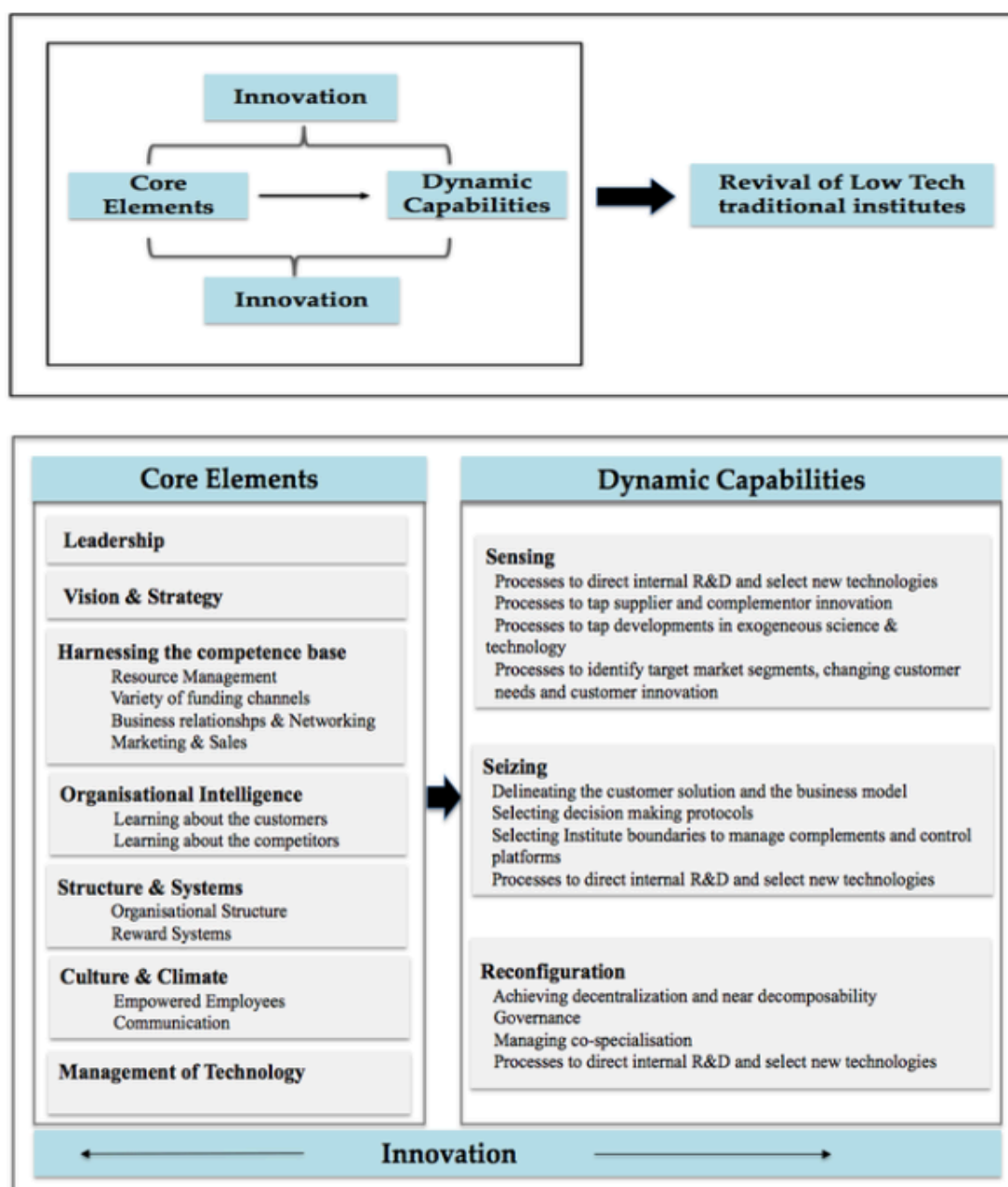
Research Question 3. How has innovation influenced the revival of low-tech traditional institutes?

It was also found that innovation played the most significant role in the revival and success of all the five selected low-tech traditional khadi institutes. Indeed, the main element that has pushed the revival of the low-tech traditional industries is innovation. The nature of innovation in low tech could not be compared with that in high tech. This study showed that in the low-tech institutes the revival became possible only because of innovation. However, the speed of innovation was much slower. The changes which are taking place are also slow in the low-tech traditional industries of a developing country. Nonetheless, it was evident that innovation has played a significant role in the revival of low-tech traditional industry and institutes.

Research Summary

As mentioned in the introduction of this thesis, the fundamental question of strategic management research is how firm achieves competitive advantage. In this exploratory research, the focus was on understanding how low-tech traditional khadi institutes survives and gained a competitive advantage in the highly volatile market.

Exhibit 47: Research Summary



Source: Author (Based on the analysis and findings in this thesis)

For this purpose, five successful khadi institutes were chosen. These khadi institutes have not only survived but are successfully competing with their high-tech competitors. The chosen institutes were the top in their regions according to the categorization. A detailed literature review, a thorough understanding of khadi industry and institutes and analysing the five cases during the revival phase indicated that the conceptual framework applied to the five cases enabled the researcher to understand how the low-tech traditional institutes strengthen their capabilities to survive and compete. As illustrated in Exhibit 47, for the revival of low-tech traditional institutes, firstly, the seven core elements (leadership; vision and strategy; harnessing the competence base; organizational intelligence; structure and systems; culture and climate, and management of technology) are strengthened, because they strongly influence the evolution of dynamic capabilities (sensing, seizing and reconfiguration). Numerous innovative processes are applied to strengthen the dynamic capabilities. In this entire study, one key element which is completely merged between the core elements and dynamic capabilities is innovation. In the revival of low-tech traditional institutes, innovation has played a significant role. Just as Khadi is not only considered a cloth but a thought, innovation has become completely immersed in the system.

6.2.2. Other findings

Some other findings of this research are briefly described here.

Firstly, it was found that there is a lot of communication gap between all the three levels of the khadi industry. Due to which their professional relationship bonds are weak. Secondly, due to a lot of paperwork and formalities, the work at the khadi institutes is getting delayed which is having a direct impact on the conditions of the artisans. Thirdly, at many places (in all the three levels) some traces of corruption were found. For example, in one khadi institute, it was observed during the field study that there was a mention of artisans on documentation but there were hardly any artisans working in the institute. Another example was in the offices where unnecessarily delays were made in forwarding the required documents because of which the workflow was decreased.

During one interview KVIC office employee has summarized the situation of khadi industry by saying that

Ek bakri ko paalne ke liye do haathi rakh rakhen hain, bakri phir bhi mar rahi hai

(Two feed one goat (artisans) two elephants (KVIC and MSME) are served, still, the goat is dying). Another statement was made, *Khadi gramodhyog ke bina jeevan hi nahi. Khadi gramodhyog hamare jeevan ka surya hai.* (There is no life without khadi. Khadi institutes are the sun of our lives).

6.3. Contributions

The research significance of this thesis is dual. It will contribute to the fields of both academia and practice. This is a study of a vast industry that has scarcely been examined by academics before.

Academic Contribution

There are several contributions of this study, such as (1) The research work done in this dissertation mainly contributes to the field of strategic management, particularly to the dynamic capabilities literature. It will also contribute to the low-tech traditional industries literature. This sector is sorely neglected in the literature. (2) It will contribute to the literature focused on innovation. Innovation as an aspect has also been extensively studied in diverse fields, but innovation in low-tech traditional institutes has been almost completely ignored. This study will contribute significantly to this area. (3) It will contribute to the literature of traditional industries, particularly low-tech traditional industries. (4) This research work is exploratory, but it provides some valuable first findings on this topic as well as identifying promising avenues for future research.

Contribution for the practising managers

Some of the few researchers who tried to test the DC perspective on traditional low-tech institutions are Karagouni and Kalesi (2013). They suggested that strategies built on knowledge and innovation have the potential to develop stronger dynamic capabilities, which are required to gain a competitive advantage. In other recent research by Karagouni and Protogerou (2013), the applicability of DC to the low-tech wood and furniture industry has been analysed and its impact on firm performance before and during the financial and fiscal crisis has been investigated. The study supported the successful applicability of DC in this specific type of institution with strong empirical evidence. Although this study is focussed only on five successful khadi institutes, the aim of the author is also to provide guidelines for the weak khadi institutes. In these institutes, one of the major problems is not only to achieve success but also to maintain it. This findings of this research will support the strong institutes in maintaining their position and keep a check on any changes taking place inside their institutes.

Since all the khadi institutes have similar backgrounds, working styles, and similar products and processes, if the IDCs framework is applied by the weak institutes, they may also strengthen their capabilities and compete in the market. It is also one of the objectives of the Government of India to strengthen the weak khadi institutes. Khadi institutes play a key role in rural employment.

Examples from field study: Practical Contribution

This research will significantly contribute to the effort which is already going on in India to revive the khadi industry. During the research process itself, several changes have been made on the recommendations of the author.

For example, (1) the details of the organizational structure have been added to the latest (2014-15) annual report of the MSME. The author inquired about and discussed this with senior officials several times. (2) During the field research (2014) in one khadi institute, it was observed that the secretary and key members of the executive committee keep a strict eye on the lower officials, to the extent that even if the manager of a showroom has to take any small decision, such as allowing a junior employee to go out of the campus for half an hour, he must call head office and ask for permission. The employees were working in an extremely difficult environment which was affecting their performance. On the advice of the author, the secretary of the khadi institute immediately took the decision and officially announced a change in the institute policies. All the managers of the smaller units were given several powers with immediate effect. This is one of the core elements of the IDC framework strengthening the harnessing base by empowerment. (3) During the field study, in several khadi institutes, it was observed that the artisans, particularly women, were working in unacceptable conditions. For example, the working sheds were not cleaned properly, causing ill health. Or the tools given to them for safety such as ear defenders were not working properly, or the looms were not technically maintained. This was quite a dangerous situation. A minor accident also took place in front of the author during the field study. On the recommendations of the author, in some institutes changes were made with immediate effect, while in others it was officially added to the monthly report. Several other examples are included in the appendix of this thesis. Additionally, the possibility was discussed with some officials of the KVIC and secretaries of the khadi institutes to work together and further develop this framework so that it could be officially applied in the khadi industry. This industry is currently open to proposals. It is implementing fast changes and encouraging individuals who would like to contribute to the revival phase of khadi industry.

6.4. Challenges

Author was faced with several challenges while conducting research. Some of the most prominent ones are discussed below.

(1) A rich and detailed literature is available on India's freedom struggle, the life of Mahatma Gandhi and his works, the policies of the Government of India, and a lot of information about khadi industry, policies, and products have been scattered in books, reports, newspapers, articles, television, speeches, and interviews. However, most of the literature on khadi is to be found inserted between the other literature mentioned above. Even the books or articles which are specifically written on khadi focus more on the other topics. Where detailed literature on khadi industry is available, it focusses on only a specific part of Khadi: on its tools, like the modernization of the charkha (spinning wheel), or its fabric or processes. (2) This gap in khadi literature was verified during intensive interviews as part of the field study for this thesis. People working in the khadi industry or related to it, both academics and practitioners, have extensive knowledge of the khadi world, but their knowledge is scattered. Most of them are not aware of the complete picture of khadi business industry trends which are so important and relevant. Such a picture is especially important today when India is passing through a second khadi revival. Without understanding khadi's past and present, a systematic understanding of the collective development of the khadi industry is not possible. (3) A systematic study of role of innovation in traditional industries is missing in the literature. A lot has been published in different areas by different organisations. But a clear picture of its role in ongoing change has not been documented, and the elements which have made this possible have not been researched properly.

Field study challenges: There were many challenges in this fieldwork. (1) There is so much information about khadi that it was actually difficult to understand the business. Because the information is scattered around. (2) It was a challenge to take interviews in the field. The author was not allowed to record conversations. (3) This study was fully funded by the author. (4) The internal communication between the three levels of this industry is not clear. Therefore, the author had many challenges, sometimes, even to gain entry to an office. (5) Related to the information required for this thesis, a lot of records were not available or were never made. Because the work is done practically, the significance of paperwork is limited to budgets or projects. (6) Sometimes, the records were also made in local languages.

The khadi industry has passed through several ups and downs in the past. Many lessons could be learnt by studying the different phases of this industry, including the process of evolution, analysis, and understanding of the reasons for past failure. Although several efforts are being made to revive this industry, a number of visible loopholes need the urgent attention of researchers and practitioners. If they are not properly identified and solutions are not made during this revival process, there is a high risk that the curve might move downwards again. Thus, the second research gap identified in the field is the requirement for more systematic study on the aspect of innovation which has played the most important role in this shift.

6.5. Limitations and Directions for future research

Firstly, the information which was required for this thesis is not documented properly in the khadi industry. A lot of information was retrieved during early interviews and verified by multiple interviews and discussions with all three levels. Secondly, some institutes were quite open in sharing information with the author, but others either hesitated about sharing the details or did not have documentation. Thirdly, the study is limited to five states and successful khadi institutes. This study is first of its kind. It must be considered as opening the doors for research in this direction by providing an overview of the situation in the Second Khadi Revival Era.

General comment: It is also interesting to note that many times changes or incidents take place on a wide level affecting thousands of people, but the world notices it only after a decade. One example is the farmer suicides in India, which have been happening for many years. However, no one even noticed it until more than 1 lakh farmers had already committed suicide in less than 10 years (Sainath, 2007). Although this is an extreme example, the intention is to show the scientific community that when such sectors are involved, like in the above-mentioned case agricultural sector and farmers from a small distant rural village or in the case of this research traditional industries or the impact on the life of artisans, spinners and weavers (most of them comes under the category of below the pyramid class) these huge changes somehow are not noticed which is also a strong indication that these sectors are completely ignored. Changes taking place in the metro cities or the developed countries are in the news within seconds. Even natural crises are reported because things happen in a day or week but the suicide crisis impacting so many farmers did not even come in the news until thousands were already dead. That was partly because this was happening slowly in a neglected sector.

In happy contrast, the changes taking place in the Khadi industry in this era are positive; thousands of artisans, khadi industry employees and textile market of India will benefit from this change. However, it must be noticed that in the previous Post Gandhian Era the khadi business declined from peak to trough, but this was rarely mentioned in the literature or any revival work was done in this direction until the later stages when the industry was on the verge of disappearing and thousands of people working in this industry, especially artisans, had already suffered difficulties.

Suggestions: Direction for future research

- Thorough research work is into all the phases (Pre-Gandhian Era, Gandhian Era, Post-Gandhian Era and Second Khadi Revival Era) of the khadi industry could be highly beneficial. For example, the strengths of the first khadi revival era or Gandhian Era might be used as a guideline during second khadi revival era, which is currently ongoing.
- A research on the management of each level (Macro level; KVIC) and (Mega level; MSME) will help in understanding their working and influence on the khadi institutes' futures.
- Comparative study of the institutes which were formed during Gandhian era with the new institutes formed in Post-Gandhian era or second khadi revival era.
- A study on the weakness of the khadi industry.
- A research on the reasons between the communication gap between all the khadi industry levels must be explored.
- A research on the competition between the internal rivalry of the institutes could shed light on several aspects of khadi industry.
- Comparative study of low-tech traditional khadi institutes of India with similar institutes in another country.
- Study on the role of innovation in low tech traditional industry of developing countries.
- Comparative study of the challenges faced by the high-tech and low-tech institutes.

7. Concluding Remarks

To understand the practical application of dynamic capabilities in traditional industries, it is necessary to understand the market environment in which a study is conducted. Shilke (2003) identified three kinds of market environments: (a) highly dynamic environments characterized by high dynamism; speedy, rapid, and inconsistent changes (b) medium level of dynamic environments characterized by moderate dynamism; predictable regular, and linear changes (c) low dynamic environments characterized by low dynamism; slow, infrequent, and highly predictable changes.

This dissertation focussed on a comprehensive investigation of khadi institutes, a traditional low-tech sector. These institutes have been functioning in the high and middle dynamic Indian market environments, depending on their geographical location. Shilke (2013) mentioned a significant point that must be taken into consideration during the initial stages of DCs implementation. In ideal conditions, DCs must be incorporated only if there is a critical need to change and gain significant value from those capabilities because capacity building and incorporating dynamic capabilities are expensive. If DC is incorporated into institutes where there is low or no compelling requirement for change, it would have negative implications for the institute and its performance, because incorrect estimation of the non-required alterations will certainly increase the costs. This could degrade the reliability of the institute in the market and risk pulling it into a low-performance zone. Therefore, it is crucial to check whether institutions qualify and are ready for this meaningful change. In the case of low-tech traditional khadi institutes, there is certainly a critical need for change to gain significant value from capabilities, as discussed by Shilke (2013). According to the eleventh five-year plan of the Indian government, there is a need to rejuvenate khadi programmes. There is a need to redefine Gandhian views about khadi in a modern context. Gandhian values must be preserved, but khadi institutes and practitioners must be ready to accept changes. Only a few empirical studies have been conducted on khadi institutes. Thus, there is certainly a great need for systematic research in this area. This study has begun to fill the research gap. However, it is the beginning of research in this direction. The finding of this thesis could be summarized thus: the dynamic capabilities evolved during the revival phase have enabled some low-tech traditional khadi institutes to survive, revive, and compete successfully in a dynamic market. Innovation has played a significant role in this revival. The process of evolving and strengthening DCs may be used as a guideline to strengthen the hundreds of weak khadi institutions nationwide.

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Official website of Government of India (GoI)

Web Link - <https://india.gov.in/>

Official website of Ministry of small and medium enterprises (MSME)

Web Link - <http://msme.gov.in/mob/home.aspx>
<http://www.msme.gov.in/mob/AboutMSME.aspx>

Official website Khadi and village industries commission (KVIC)

Web Link - <http://www.kvic.org.in/kvicres/index.html>

Official website of Prime Minister Narendra Modi

Web Link - <http://www.narendramodi.in/>

Official website of OECD

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APPENDIX

APPENDIX 1: Multiple Case Studies

Case studies of five selected khadi institutes have been developed by the author based on fieldwork, which was conducted in three phases.

Exhibit A1: Field Study in India between the years 2012 - 2014		
Phases	Field Study	Location
1. Field study Phase 1 (2012): State of Madhya Pradesh		
Farmers / Artisans / Research	(a) Cotton Research Centres (b) Bio and Organic Cotton Farms and villages (c) Handicraft / Artisan Workshops	Madhya Pradesh
2. Field study Phase 2 (2013): State of Rajasthan		
Phase 2.1	KVIC Office	Rajasthan (Bikaner)
Phase 2.2	KVIC State Office	Rajasthan (Jaipur)
3. Field study Phase 3 (2014): Five States and different cities		
Khadi Industry - Mega Level	Visit to the Ministry of Micro, Small & Medium Enterprises (MSME)	Delhi
Khadi Industry - Macro Level	(a) Head Quarter of Khadi and Village Industry Commission (KVIC HQ) (b) KVIC State Office (c) KVIB State Office	(a) Mumbai, Maharashtra (b) Five States (c) Dausa, Rajasthan
Khadi Industry - Micro Level	(a) Khadi Institutes (main unit and sub-units) (b) Artisan Villages	5 States - selected institute - 2 additional khadi institutes
Additional	Gandhian philosophy & work on khadi institutes - Visit to First Khadi Institute, Gandhi Old House and Museum - Gandhi Smarak Nidhi - National Gandhi Museum	Gujarat Delhi
Phase 3.1: Rajasthan (Bikaner, Jaipur and Dausa) Phase 3.2: Gujarat (Ahmedabad, Gondal, & Rajkot) Phase 3.3: Maharashtra (Mumbai, Nanded) Phase 3.4: Uttar Pradesh (Lucknow, Fatehpur, Kanpur) Phase 3.5: Haryana (Ambala, Karnal, Jind)		
Intensive Field study at all the three levels of khadi industry: mega, macro and micro		

Source: Author

Note: In each phase, the study was done in three steps at the KVIC state office, the selected khadi institute, and at two more khadi institutes in the same area. Details are provided at the beginning of each case study.

Field study Phase 1 (2012): The author took part in a one-week intensive field study trip organized by the BioRe Switzerland, in the state of Madhya Pradesh, India. It focused on organic cotton research and practice. During this field visit, the author had an opportunity to visit the organic cotton research centres, agricultural lands, organic cotton-growing villages, and workshops in which artisans, mostly members of farmers' families, make a different kind of clothes from organic cotton. Such as bags, shawls, man, and woman traditional clothing, etc. During this field visit, the author collected information to gain a broader understanding of the topic by applying multiple techniques. Such as observation, informal interviews, talks and discussions with the study trip participants¹²⁰ and direct conversation with farmers, artisans, and staff working in the NGOs. This process provided a broad overview of the field of study. A clear picture of the benefits and challenges of cotton growing to farmers and artisans also emerged, and the research focus was narrowed down to the artisans' work.

During this first field study, it was found that two kinds of artisans work in this sector. The first category includes artisans who work in the khadi institutes which are registered by the Government of India. They are part of a massive khadi industry.¹²¹ The second category includes artisans who work in private institutes. They are part of the handicraft industry. According to the Government of India's laws, khadi can be made and sold only by the officially registered khadi institutes. This is one of the main differences between khadi institutes and private institutes.

This study focuses on the first category of artisans, those working in the khadi industry. Thus, the research effort was directed towards understanding the khadi industry, khadi institutes, and the status of artisans working in these institutes.

Field study Phase 2 (2013): This phase was conducted mainly in the state of Rajasthan. It is divided into two parts.

Phase 2.1 (Bikaner, Rajasthan): To understand the complex structure of the massive khadi industry, the author began her research work by conducting informal interviews and discussions with the employees of the KVIC office in Bikaner district, in the state of Rajasthan. During this fieldwork, some information was collected about the working and status of the khadi industry in India as a whole and, specifically in Rajasthan. The link to the Jaipur KVIC head office was also formed during this phase.

¹²⁰ Study trip participants were a mix of researchers and practitioners from both India and Switzerland.

¹²¹ Khadi industry comes under the Government of India (MSME). It consists of numerous khadi institutes spread all over India. These khadi institutes are registered and supervised by KVIC. They are private institutes which are supported by the Government, but their employees do not receive a Government salary. Artisans working in these institutes are paid and supervised by the Khadi institute employees. Khadi industry structure is explained in detail in chapter 4 of this thesis.

Phase 2.2 (Jaipur, Rajasthan): During the visit to the KVIC main state office for Rajasthan in Jaipur, lengthy discussions were held. A lot of information is available about the khadi industry on websites, and a lot of work is done in the industry. The main challenge at this stage was the lack of systematic information and documentation relating to the research topic. As an outsider, it was extremely challenging to understand the structure and working of this industry.

Therefore, lengthy discussions were held to understand it properly. From these discussions, information was retrieved that related to the successful institutes in India, the categorization method adopted by the khadi industry to select these institutes and an overview of the status of the khadi institutes in Rajasthan. Additionally, a few khadi institutes and khadi showrooms in Bikaner and Jaipur were also visited during this second phase. The support of the KVIC Jaipur office enabled phone conversations and links for the next phase of the study to be made in all the five selected states (KVIC office and institutes).

Field study Phase 3 (2014): Field study phase 3 was conducted in five states. It is divided into five parts as illustrated below.

Exhibit A2: Field Study in India in the year 2014				
	State	Step 1: Location	Step 2: Location	Step 3: Location
		KVIC state office (visit)	Selected khadi institute (intensive research)	Two other khadi institutes (visit)
1	Rajasthan	Jaipur	KI 1 - Dausa	KI 1.1 - Dausa KI 1.2 - Jaipur
2	Gujarat	Ahmedabad	KI 2 - Gondal	KI 2.2 - Gondal KI 2Rajkot
3	Maharashtra	Mumbai	KI 3 - Nanded	Mumbai Nanded
4	Uttar Pradesh	Lucknow	KI 4 - Fatehpur	Fatehpur Kanpur
5	Haryana	Ambala	KI 5- Karnal	Karnal Garunda

Source: Author based on Field Study

Case 1

Low tech traditional khadi institute 1

(Located in the state of Rajasthan)

This case study was developed by the author based on her fieldwork in three phases between 2012 and 2014. Followed by desk work and regular phone conversations with the interviewees between 2015 and 2019. Phase 1 and 2 are explained in the introduction of Appendix 1. Phase 3 described in this section will focus only on the status of the low-tech khadi institutes in the state of Rajasthan.

Exhibit 1.1: Field Study in the state of Rajasthan (2014)		
Steps	Field Study	Location
Step 1	Visit to the Khadi and Village Industries Commission (KVIC) state office.	Jaipur
Step 2	Intensive field study at the selected khadi institute 1 (KI1)	Dausa
Step 3	Brief field study was also conducted in two more khadi institutes located in the nearby areas for case validation.	Jaipur
Additional	Visit to the State Khadi and Village Industry Board (KVIB). Interview and discussion with senior KVIB officer. Note: KVIB office has worked closely with the selected khadi institute (KI1) since its foundation.	Dausa

Source: Author; Based on the field study

Step 1: Visit of the state KVIC office located at the Jaipur district

During this visit, lengthy interviews and discussions were conducted with the KVIC state office's director and employees. This exercise increased understanding of, (1) the complex khadi industry structure, (2) the position of the Rajasthan KVIC office in the khadi industry, (3) the status of the khadi institutes in the state of Rajasthan, (4) the status of selected khadi institute 1 and its relationship with the KVIC Rajasthan, KVIC headquarter and MSME. Additionally, the discussions also helped in understanding why the selected khadi institute received more scores in comparison to other institutes, according to the KVIC's categorization method, in the state of Rajasthan.

Step 2: Intensive field study at the selected khadi institute 1 (KI1)

The author conducted an intensive field study in the selected khadi institute 1.

Exhibit 1.2: Intensive fieldwork in the selected khadi institute 1			
Step 2	The field study was conducted	Location	Methodology
1	at the main unit (MU)	Dausa City	<ul style="list-style-type: none"> ▪ Observations ▪ Visits ▪ Discussions (individual and group) ▪ Interviews (individual and group) ▪ Internal documentation
2	at the sub-unit (SU)	Dausa City	
3	at the sub-unit (SU)	Artisan Village in Dausa	

Source: Author; Based on the field study

In this step, an intensive field study was conducted in selected khadi institute 1 (KI1). As illustrated in Exhibit 1.2, qualitative data was collected using diverse methods. Mainly observations, multiple visits to the main unit and sub-units, lengthy discussions, interviews, and study of the internal documentation. The interviews and discussions were conducted in the local languages, Hindi and Rajasthani. Some of the internal documentation shared by the khadi institute employees were also in both Hindi and English, but mainly in Hindi. Multiple visits were made to all the departments and showrooms of the selected institute.

Step 3: Brief field study was also conducted in two more khadi institutes

The author conducted an intensive field study at the selected khadi institute 1 (KI1). A short field study was also conducted in two additional khadi institutes which were operating in the nearby area and facing similar market challenges. This exercise was done to understand the situation of the khadi institutes in this area from a broader perspective and to validate the findings by cross-checking with employees at other khadi institutes working in similar market conditions. Both these institutes had a lower ranking in comparison of KI1.

Exhibit 1.3: Short Fieldwork in the other khadi institutes at Rajasthan			
Step 3	Field Study was conducted	Location	Methodology
1	Khadi institute KI1 (2)	Jaipur	Visit of the khadi institute, and showroom. Interview and discussion with the Secretary.
2	Khadi institute KI1 (3)	Jaipur	Interview and discussion with secretary.

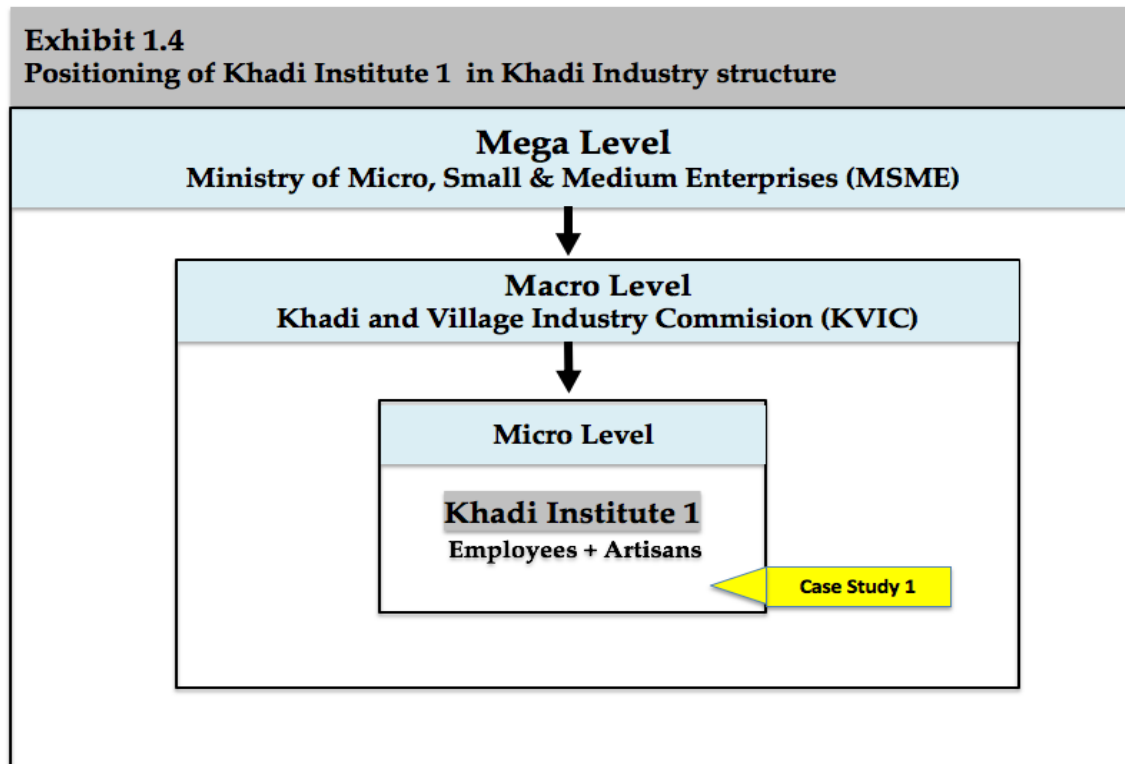
Source: Author; Based on the field study

Lengthy interviews and discussions were conducted with the secretaries (head of the institutes) of both Khadi Institute 1.1. and Khadi Institute 1.2. A visit was also made to Khadi Institute 1.1.

1.1. Case overview

1.1.1. The positioning of khadi institute 1 in khadi industry

The positioning of khadi institute 1 (KI1) in the khadi industry structure during the Second Khadi Revival Era (SKRE) is illustrated in Exhibit 1.4.



Source: Author; Based on the information retrieved during the field study.

Exhibit 1.4 shows that the khadi industry structure consists of three levels.

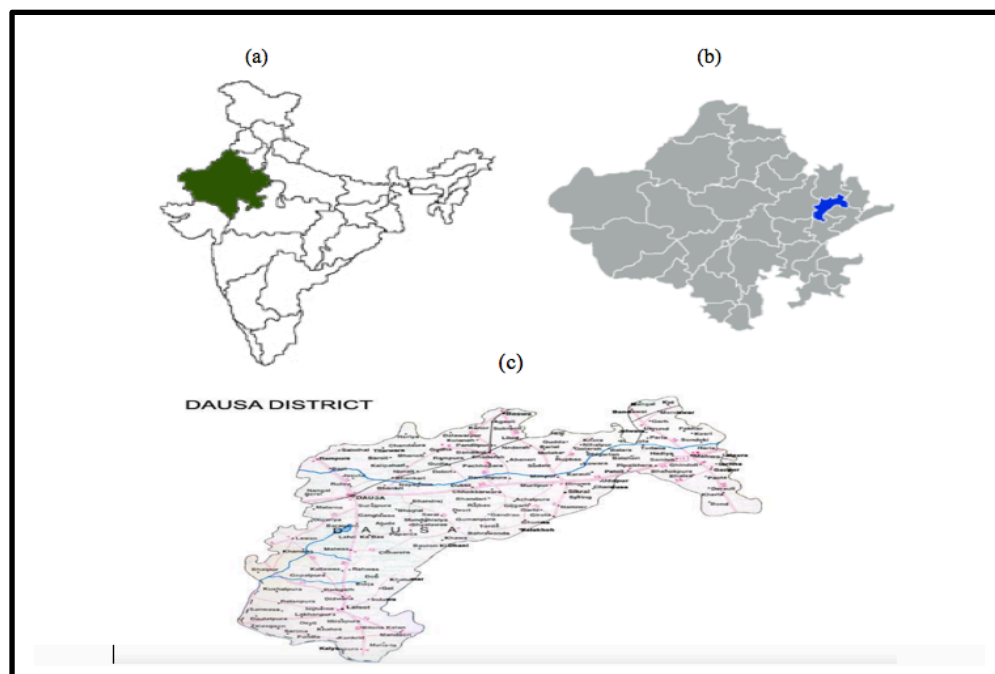
(1) Mega level – the Ministry of Small and Medium Enterprises is the topmost level in the hierarchy. It has headquarters in Delhi. (2) Macro level - KVIC headquarters are located at Mumbai. KVIC state office which supervises khadi institute 1 (KI1) is in the Jaipur District of Rajasthan State. (3) Micro level: Khadi institute 1 is in the Dausa district of Rajasthan. It is registered at the KVIC state office.

However, it must be noted that KI1 is not a Government office. It is registered by the Government office but works independently, like an NGO. It is closely supervised and supported by MSME and KVIC.

1.1.2. Location

Khadi Institute 1 (KI1) is located in the district of Dausa (State of Rajasthan, India).

Exhibit 1.5: Location



Source

- (a) India (Country) map - <https://www.webindia123.com/rajasthan/index.htm>
 (b) Rajasthan (State) map - https://en.wikipedia.org/wiki/Dausa_district
 (c) Dausa (District) map. - http://dcmsme.gov.in/dips/DIPR_Dausa.pdf

1.1.3. Ranking

Khadi Institute 1 (KI1) has secured the highest ranking among 158 other khadi institutes according to the categorization method. As illustrated in Exhibit 1.6, KI1 secured 192 marks, placing it highest in the list.

Exhibit 1.6: Ranking						
	Name and Address of the Institute	Marks obtained (self-appraisal)	Marks approved by field office	Marks considered by Central office	Final Grades awarded	Notes
	Khadi Institute 1	-	192	192	A+	Highest marks in Rajasthan

Source: Information retrieved from the KVIC official website (Categorization method spreadsheets)

Note: Categorization method applied for khadi institute selection in the north zone by KVIC Rajasthan. A+ level categorization of khadi and polyvstra institutes affiliated to KVIC with effect from 01.04.2004 under five-tier grading system

The categorization process is implemented jointly by the khadi and village industry commission (KVIC) and the Khadi and Village Industry Board (KVIB). The work of categorization was divided between the KVIC offices in the state of Rajasthan.

1.1.4. Historical background

After independence in 1947, several changes took place in India. In 1948, the All-India Spinners Committee was decentralized. The All-India Khadi and Village Industry Board (AIKVIB) was formed at the national level. At the state level, the Rajasthan Khadi Sangh was formed. It further decentralized its work in 1967 to block level and started the formal establishment and registration of khadi institutes in independent India. As a part of this development, khadi institute 1(KI1) was set up in Dausa, Rajasthan.¹²² It was formed under the leadership of a well-known freedom fighter, Shri Naval Kishore Sharma also called 'Babuji'. Under his leadership, the institute progressed and earned a powerful reputation in the khadi industry at the national level. Though the institute had been in existence since the Gandhian Era, it was officially inaugurated on 1st April 1967. This institute is considered phenomenally successful because of its revival from the verge of bankruptcy to developing into the most successful institute in Rajasthan. The business history of KI1 from the day of its official formation may be divided into three stages: In stage 1 (1967–1984), the institute's khadi business flourished; in stage 2 (1985–1993), the business declined; in stage 3 (1994–1997), the business was revived; and in stage 4 (1998– till date) business is developing further.

Stage 1 (1967–1984): During this stage, the business flourished. The main reasons for its progress were, firstly, just like other khadi institutes, it received a lot of support from the Indian Government after independence. Secondly, the first Secretary¹²³ founding leader of the institute was a highly influential personality. He was a lawyer, well-established politician, freedom fighter, a follower of Mahatma Gandhi, and supporter of khadi and village industry. He entered politics in 1951 and remained a politician until his retirement. Along with this profession, he formally established and registered Khadi Institute 1 in 1967. Inspired by the Gandhian philosophy, he established this institute to increase economic stability in the rural areas by providing more employment to the villagers, mainly artisans. As a founder of the khadi institute and well-established politician, he properly utilized the resources provided by the Government and other influential groups. He sustained the institute culture and ethics as it had prevailed during the Gandhian Era. Because of his initiatives, KI1 flourished. However, his successors were not as well skilled and lacked his dedication.

¹²² Source: Khadi Institute 1 internal documentation.

Kshetriya Khadi Gramodhyog Samiti, Dausa, Pragati Avam Prasar (1967-68 to 2010-2011)

¹²³ Secretary of the khadi institute is head of the executive committee. He will be called the *leader* in this thesis.

Stage 2 (1985–1993): During this stage, the institute's business declined. There were several reasons for this, and these can be divided into two categories: internal factors and external factors. One of the main internal factors which led to the weakening of KI1 was a change in its leadership. The founder, who was also one of the most successful leaders in the history of KI1 retired in 1985. After him, several leaders were appointed, but they were unable to maintain the institute's work and standards due to their poor leadership skills. Externally, this was also a period in which khadi industry business at the national level started declining. Several khadi institutes went bankrupt. Most of them had similar problems. The market and customer demand had slowly changed after independence, but most of the leaders underestimated the extent of this change. They hardly took any initiative to introduce innovations in products, systems, or processes. Elsewhere, competitors in the textile industry were introducing new products with continuous innovations. This enabled them to offer varieties of textile products at competitive prices. As a result, loyal customers of khadi institutes slowly started shifting towards the cheaper and more attractive options that were readily available on the market. This led to the accumulation of huge stocks of unsold khadi products in khadi institutes. Additionally, KI1's leaders did not make any effort to motivate and inspire the employees of the institute. Thus, just like several other khadi institutes in India, KI1 faced these challenges, and its performance began to decline.

Stage 3 (1994–1997): During this stage, KI1's business started reviving again. Several reasons lay behind this change of direction. One of the most important reasons was again a change in leadership. The appointment of a strong and capable leader to the position of secretary on 1 July 1994 was a major step towards this revival. The new leader played a key role in reviving the institute. He will be called Leader 1 of KI1 in this thesis. His strong and innovative leadership skills, dynamic personality, long years of work experience, and strong political connections enabled the institute to survive and revive again.

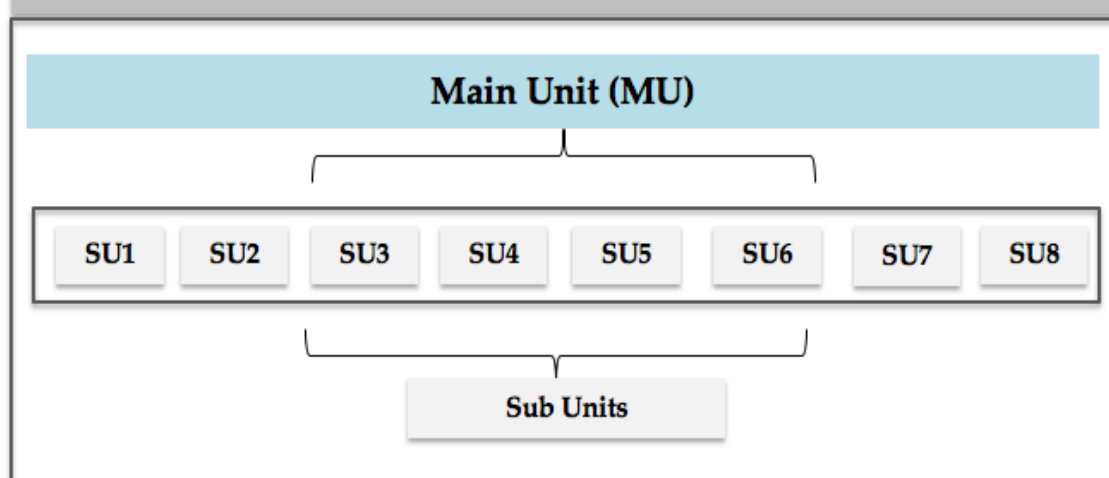
Stage 4 (1998–to date): In this ongoing stage, the institute has maintained its high performance. New systems and processes are introduced in the institute regularly. It ranks highest in this state according to the categorization system, which is a powerful indicator of its success. The most influential factors behind the success of KI1 is strong leadership and innovation. The current secretary of the KI1 will be called Leader 2 of KI1 in this thesis.

1.1.5. Khadi Institute 1 - Type

Khadi Institute 1 (KI1) comes under the category type 1. As mentioned in chapter 4, this category¹²⁴ includes institutes that have their production. Such institutes produce and sell one or more types of khadi: cotton, silk, or wool. Some institutes have large infrastructure while others have a small infrastructure. KI1 has large infrastructure. It is engaged in the production and services of both khadi and other village industry. It has one main unit and several sub-units, which are in distant cities and villages. The focus of this thesis is on cotton khadi.

Exhibit 1.7

Infrastructure of Khadi Institute 1



Main Unit

Dausa

SU1

Dausa, Rajwas, Banyana, Bhandrej, Alooda, Nangal, Jeerota & Seetal

Source: Author; Based on the information retrieved during the field study

As illustrated in Exhibit 1.7, khadi institutes generally have two main divisions. **The main unit (MU) of Khadi Institute 1:** This is the brain of the khadi institute, and all the departments are located here. The main unit is in Dausa city near Jaipur (Rajasthan). It consists of departments such as management, administration, finance, marketing, and IT.

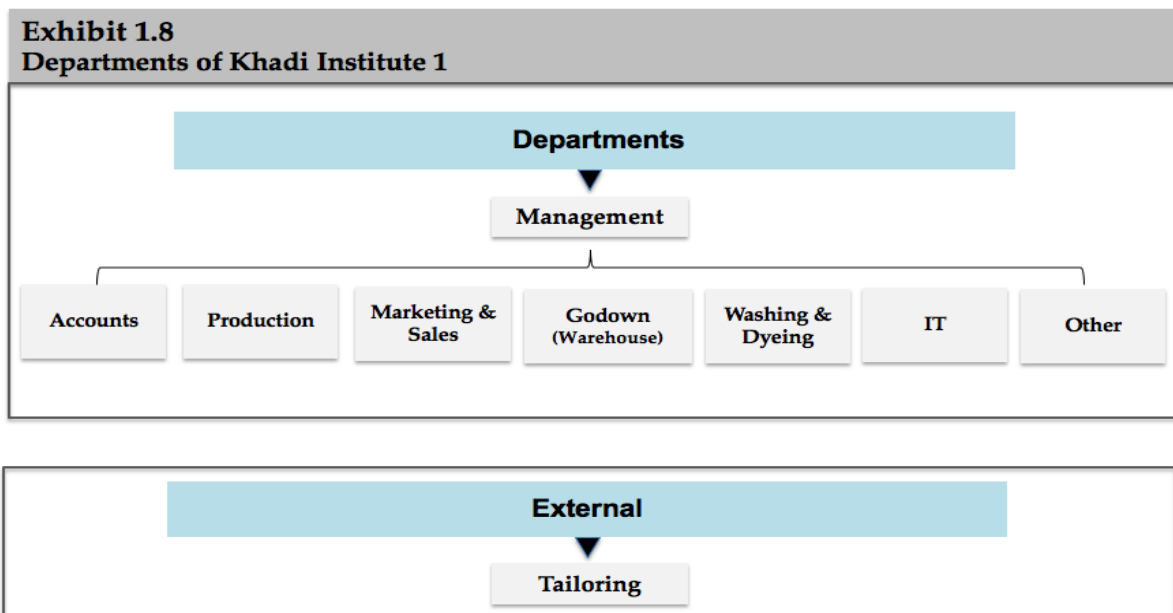
¹²⁴ Refer to the chapter (3) and (4) of this thesis for explanation related to different types of khadi Institutes.

Sub-units of khadi institute 1: KI1 has eight production sub-units (illustrated in Exhibit 1.8). They are located near the artisans' villages¹²⁵ for the convenience of the villagers. In the past, many financially weak artisans had to travel on foot to collect the raw material from the KI1 main unit. Alternatively, they had to spend a lot of money on travelling and transporting raw material. The distance also caused delays in the production process. Therefore, KI1 management decided to develop sub-units in several artisan villages. These sub-units are spread across the Dausa district. This arrangement has strongly influenced the artisans' work and has increased their efficiency. Now the raw material is sent from the main unit to these sub-units, and the finished product is sent back to the main unit regularly.

The artisans live in proximity to their workplaces, which enables them to take care of their families, particularly children and senior members of the family, and animals. Now they can also work on their agricultural land or do other part-time work from home, such as sewing. Each sub-unit has one production unit manager who ensures its smooth working and who plays a key role in connecting the sub-unit with the main unit.

The sub-unit managers' report directly to the vice-secretary and secretary. Their monthly accounting reports are sent to the accounting department at the head office (Source: Information retrieved from an interview with the vice secretary of KI1).

1.1.6. Departments of Khadi Institute 1



Source: Author; Based on the information retrieved during the field study

The main unit of the KI1 has several departments.

¹²⁵ Large khadi institutes have several sub-units located in different regions far and wide. Most of the sub-units are near the artisan villages.

Internal Departments

(1) Finance and Accounts Department – This department keeps a financial record of both main unit and sub-units. It is also responsible for budgeting. (2) Production Department – This department controls the production in both the main unit and the sub-units. Daily reports are sent to the department in the main unit by all the sub-units. KI1 has eight sub-units which are located in the artisans' villages. (3) Marketing & Sales Department – This department works directly from the offices built in the khadi showrooms. During the second revival phase, showrooms have been given high priority. They are completely modernised to attract customers and increase sales. All the Khadi institutes have a shop or showroom. The Government has invested a considerable sum of money in renovating khadi shops during the revival phase. Innovative selling and marketing techniques have been introduced in this department. If the centre is large, it has several shops and showrooms in different locations. (4) Godown (Storage) Department - This department handles the storage and maintenance of khadi raw material and finished goods. This team also deals with the artisans. They supply the raw material or collect the material from the artisans. This team is also responsible for paying the artisans according to their work. They work closely with the finance and accounting department. One of the main godowns, or warehouses, is in the main unit, and another one is in the city of Jaipur. Small godowns are also built at the sub-units. The team ensures that the finished products and raw materials can be easily supplied to various locations on demand. This team along with the marketing and sales team is also responsible for trading with other khadi institutes. (5) Washing & Dyeing – This department is responsible for washing & dyeing processes. (6) IT Department - The IT department employs only one person. Usage of technology in the office is basic. (7) Other- There are some other departments or individuals responsible for various other work, such as the laboratory. The office at the main unit keeps tight control on all the departments, sub-units, and individuals. During the revival phase, each department has been restructured, and innovations are introduced regularly. In KI1, most of the employees have the knowledge and skills to work in multiple departments. Depending on need, employees can be moved from one department to another. This improves the effective utilization of employees, who also enjoy the experience of working in different departments. Though it is a low-tech traditional institute, it practices some of the principles of autonomous workgroups at the employee level. Although executive committee team members have well-defined specific responsibilities, they work as a well-connected team and make important decisions as a single entity.

External Departments

Tailoring: Some work is outsourced to the tailors or fashion designers. In this second revival phase, this external department has gained significant importance. New and innovative designs attract customers. Therefore, professional tailors and dress designers work together with the khadi institute to develop unique products. Various institutes have private networks.

Example of a tailor located near a khadi institute sub-unit. This information was gathered in an interview in the tailor's house.

The tailor is the wife of an artisan working in the sub-unit. Her family consist of parents-in-law, husband, and two children. They live near to the sub-unit. Her entire family is engaged in three kinds of work: artisan work, agriculture, and tailoring. She receives orders for small work from the khadi institute. They also have a traditional charkha and *kargha* (spinning and weaving tools) at home. All the household's members contribute to three kinds of khadi work: spinning, weaving, and tailoring. The husband also works at the work shed of the subunit. This workplace is near the house, and some work is also done from home. It is thus very convenient for the artisan family to raise their family and reduce their transport costs. They are extremely satisfied with the innovative strategies and tools that the institute is introducing in the revival phase. Such as, various innovations are made in the design and material used in the manufacturing of the spinning wheel and weaving machine. Both do not have any power attached to them. They are hand spun and handwoven by artisans. These innovations have also reduced the labour of the artisans, it has multiple benefits for the artisan's health, well-being and work-family balance.

Although the entire family is engaged in the work and they are given a lot of help from the institute, they still have financial problems, as the wages earned are not enough to support a family, and the standard of living is not very high.

1.1.7. Type of employees and artisans in Khadi Institute 1

Khadi Institute 1 has two types of employees: office employees and field employees.

(1) Office employees - Khadi institute offices have several departments, such as accounting, administration, and IT, and each may have a secretary, vice-secretary, and office staff. Such employees are categorized as office employees in this thesis. The store manager and the head of the laboratory are also considered office employees.

(2) Field employees: Khadi institute employees who work in the sub-units away from the main unit or in the field, such as those in trading and marketing are called field employees. This category also includes employees who are responsible for showrooms and other outlets.

Artisans: There are two categories of artisans in the khadi institute. The first category includes the artisans who work in the KI's sheds.¹²⁶ The second category comprises the artisans who work from home. Artisans work part-time for hourly payment at the institute. Khadi institute employees receive a monthly salary, while the artisans receive the wages according to the amount of spinning or weaving, they have done. They are paid throughout the month at irregular intervals.

1.1.8. Khadi Institute 1 Performance

Performance of Khadi Institute 1 (KI1) in selected years beginning from its foundation are illustrated in Exhibit 1.9.

Exhibit 1.9: Khadi Institute 1 performance: selected years up to 2012-13						
Production (unit: lakhs rupees)						
KHADI	1966-1967	1977-1978	1987-1988	1999-2000	2007-2008	2012-2013
Cotton khadi	6.77	21.05	87.50	177.56	254.13	393.63
Woollen khadi	-	6.14	8.02	15.53	9.06	20.46
Village Industry - Production (unit: lakhs rupees)						
Polycotton	-	-	4.76	94.04	196.44	232.70
Soap	-	-	6.65	13.45	21.50	20.87
	-	-	-	29.43	122.35	212.12
Leather	-	-	-	7.82	6.38	20.04
Jute	-	-	-	-	-	-
Pottery	-	-	-	-	-	0.71
Total Production	6.77	27.19	106.93	337.83	609.86	900.53
Sales (unit: lakhs rupees)						
KHADI	1966-1967	1977-1978	1987-1988	1999-2000	2007-2008	2012-2013
Khadi	0.88	2.55	30.36	100.54	161.67	152.94
Wholesale centres	4.78	5.88	90.21	238.77	193.72	453.34
- Poly	-	-	4.23	42.15	82.32	111.99
- Soap	-	-	4.51	13.19	24.19	19.60
-	-	-	-	28.95	125.00	211.66
- Leather	-	-	-	8.81	68.41	20.16
- Other VI	-	0.10	0.26	3.45	4.03	5.13
Total Sale	5.66	8.53	129.57	435.86	659.34	974.82
Profit	-	-	-	12.75	16.37	9.53
Wages (unit: lakhs rupees) Employee and Artisans						
	2003-2004	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
	144.23	232.01	298.03	309.17	332.47	370.81

Source: Information retrieved from the internal office document of KI1 during a field study in the year 2014.

¹²⁶ Khadi sheds – Working place for artisans in the institute itself.

KI1 is engaged in both khadi and other village industry, as depicted in Exhibit 1.9. The focus of this thesis is only on the khadi industry.

The exhibit indicates an increase in production and sales. Khadi industry production increases substantially between 1977-78 and 1987-88. Similarly, there is a noticeable increase in the khadi and village industry sales between 1977-1978 and 1987-1988. This was the time when the several efforts for revival began in the second khadi revival era. However, in this thesis, the analysis is derived through qualitative data. The numbers are shown only to indicate the progress made during the revival phase. To understand the influence of the core elements and evolution of dynamic capabilities and the role of innovation during the revival phase of KI1, it is essential to understand its positioning in the khadi industry structure and its setup.”

1.1.9. Khadi Institute 1 expansion in the area of operation during revival phase

The area of operation and activities of Khadi Institute I (KI1) have increased from its inception as depicted in Exhibit 1.10.

Exhibit 1.10: Area of operation: indicating development during the revival phase			
	KI1 Area of operation	1967-68 (KI1 Foundation Year)	2012-2013
1	Village panchayats	45	52
2	Villages	240	240
3	Khadi work in villages covered	22	96
4	Production & sub-centres	3	9
5	Spinning and weaving centres	6	26
6	8 spindle amber charkha	6 spindles; 50 spinning wheels	1358
7	Frame looms and semi-automated looms	-	384
8	Cotton roving production unit	-	2
9	Weaving unit	-	15
10	Readymade tana unit	-	5
11	Dyeing and bleaching unit	-	1
12	Khadi gramodhyog (KIs) production centres	-	4
13	Amber Sarjam unit	-	1
14	Khadi gramodhyog (KIs) sales depot	3	14
15	Vastragar (Dausa and Jaipur)	-	2
16	VI sales depot	-	5
17	Khadi sales depot	-	3
18	Khadi moving sales unit	-	1
19	In-house testing laboratory	-	2
20	Saut finishing and stiff finishing vegetable dyes unit	-	1
21	SFURTI project common facility centre	-	1

Source: Retrieved from the internal office documents of KI1 during a field study in 2014.

The revival phase has involved major efforts throughout India. During this process, the facilities and resources of KI1 have also increased substantially.

1.2. Core elements

Core elements have played a key role in the revival of the low-tech traditional khadi institutes of India. They have strongly influenced the dynamic capabilities of the selected khadi institutes during the second khadi revival era. The literature review theoretically explained seven core elements: leadership, vision & strategy, harnessing the competence base, organizational intelligence, structures & systems, culture & climate, and management of technology. This segment investigates the influence of each core element on Khadi Institute 1 during the revival phase.

1.2.1. Core Element 1 – Leadership

The core element leadership played a significant role in Khadi Institute 1 (KI1) during the revival phase. As mentioned earlier in the historical background, the institute has passed through several phases of success and failure. This section focuses exclusively on the leaders of the third and fourth phases,¹²⁷ who played a significant role in the revival of the institute. They will be called Leader 1 and Leader 2 in this section. The efforts of both these leaders led to the revival and strengthening of the khadi institute. Their innovative leadership and decision-making skills not only saved the institute from bankruptcy but also strengthened it, so much so that KI1 not only survived but currently it is considered one of the most successful low-tech traditional khadi institutes operating in Rajasthan. Leader 1 was appointed in 1994 when the institute was on the verge of bankruptcy. As soon as he joined the institute, he started applying various innovative techniques to strengthen KI1. He had substantial work experience and a strong network in politics, which was fully used to strengthen the khadi institute. He successfully made use of the resources available. This technique brought back to discipline, enthusiasm, and optimism. His leadership style was transactional and transformational. The combination of these skills and traits proved to be highly beneficial for KI1's revival.

Information gathered in an interview with a senior Khadi Institute 1 employee

Between 1990 and 1993, a lot of changes took place in the executive committee. The khadi institute started weakening, performance declined rapidly, and the employees and artisans were completely demotivated. It was a bad situation as the institute was on the verge of bankruptcy. When Leader 1 joined, the situation changed dramatically. The first strategy he applied was to bring together all the employees and artisans and induce motivation in them. His slogan, *karo ya maro* (Translation - do or die), became the institute's slogan.

¹²⁷ Refer to the historical background of khadi institute 1.

There was no looking back from that time. Leader 1 acquired funding, resources, and opportunities in the form of development programmes issued by the Government of India. KII dramatically survived, and the process of revival continued under the leadership of Leader 2.

Leader 2 was appointed in 1997 after the retirement of Leader 1. He is also the current leader (secretary of KII). He worked as an employee and trainee under the previous leader and was strongly inspired by him. He considered the previous leader as a mentor and believed in the same fundamental organizational values. After coming to the leadership position, his main goal was to maintain the performance level of the khadi institute. He applied several strategies, skills, and styles of the previous leader and continued to lead without making major changes. However, with passing time he slowly adopted his unique leadership style.

Observation made during an interview with the secretary in the Main unit, secretary's office at khadi institute I

In several areas, decisions are made quite fast. Several meetings between the employees also take place informally and throughout the routine day. During the interview, it was observed that the manager of the godown came with another khadi institute trader and some pieces of cloth. The secretary took a few minutes' breaks from the ongoing interview and discussion with the author. The new colours, material, and design samples were shown to the secretary. A few minutes' discussion took place between a secretary, vice secretary and the trader. It was decided that one kind was new in the market and the order must be placed immediately to the trade before any other competitor could know about it in their region.

Within 10 minutes, the deal was made in front of the author, and the secretary continued with the interview and discussion. This action indicates the quick decision-making skills and high interest of the secretary and other employees in obtaining the new products first for their institute to compete in a dynamic market. It was also observed that the employees and the leader have a low power gap. Employees approached the secretary casually and the discussion took place easily and informally. This observation also confirmed the statement by the secretary during the interview that he consciously made efforts to reduce the communication gap between himself and employees, which was not the case in the leadership of his peer.

Under the leadership of these capable leaders, the performance of KI1 revived, and its performance improved significantly. The leadership styles of the two leaders share some similarities. Firstly, both the leaders applied the leaders-and-followers school of thought¹²⁸. Secondly, the element of innovation was integrated into the leadership of both leaders. Thirdly, both the leaders implemented plans speedily. There were also a few differences in their leadership styles. Firstly, Leader 1 was seen by the staff as a tough leader while Leader 2 came across as comparatively soft. Secondly, Leader 1 maintained the distance between himself and the employees to re-create the discipline that was lost during the previous leadership. In contrast, Leader 2 maintained a close relationship with his key employees. Thirdly, Leader 1 was a strict taskmaster. In comparison, Leader 2 is a little relaxed. However, it must be noted that during the tenure of Leader 1 the institute was on the verge of bankruptcy, so the strict measures were the need of the time. During the tenure of Leader 2, the institute has become stable, although it is still in the revival phase. Therefore, both the styles could be considered appropriate to their eras.

1.2.2. Core Element 2 – Vision & Strategy

The vision of both leaders influenced the revival and success of Khadi Institute 1 (KI1). The vision of Leader 1 was to expand the boundaries of KI1. Earlier its production and sales were limited only to the rural areas. To revive the institute, his vision was to increase the sale by re-introducing khadi in new styles to the urban population and continuing the sale of traditional khadi products in rural areas. He was successful in achieving this end. The vision of Leader 2 is to expand KI1's boundaries to the international level and to attract the youth by producing innovative khadi products using modern processes and techniques. Additionally, his vision is to develop khadi as an international brand. This vision resonates with that of the entire khadi industry, which is currently passing through the second khadi revival era. Both leaders applied several strategies to revive KI1. Some of the effective strategies applied by Leader 1 are described below.

Strategies applied by Leader 1 to revive Khadi Institute 1

(1) His first strategy was to motivate the employees. Most of the KI1 employees and artisans depended for their livelihoods on the institute. He applied several strategies to achieve this goal. He organized regular staff meetings. He not only gave responsibilities but kept a close eye; he was fully involved and updated about each action that took place. Several incapable employees were replaced. He inspired employees by working extremely hard for long hours. He used the slogan 'do or die,' which had a particular meaning in the context of the institute's financial state at that time.

¹²⁸ For a detailed explanation refer Chapter 2 on Literature Review.

During that period, most employees did not have enough education or additional skills to find a job in another field. Even those who could find other jobs had responsibilities for large families that were based in the area where KII was located. Similarly, most of the artisans were also either uneducated or did not have other skills. In some cases, one way to earn a living was from their agricultural land. However, these artisans were extremely poor. Therefore, the money earned from their small agricultural lands was not enough to support a family. Moreover, these lands are in the state of Rajasthan where the climatic conditions and scarcity of water is another challenge. Therefore, the slogan 'do or die' was used by the leader as a constant reminder. The survival of KII meant the survival of its employees and artisans and their families. This strategy was extremely powerful in motivating the employees and artisans to unite and work hard for the common interest. This strategy was similar to that used during the Gandhian Era (GE) when the leaders motivated the employees by constantly reminding them that they had to work hard to gain the independence of India. This strategy was extremely successful for the progress and development of khadi institutes during the GE.

(2) His second strategy was to integrate the element of innovation. He applied several strategies to achieve this goal. Old tools were replaced with new ones. New technologies, processes, and designs were introduced in the institute.

(3) Leader 1's strategy was to utilize the resources which were made available by the Government for khadi development. Since he had strong networking and influential relationships in the political arena, he applied for as many schemes and funds as possible offered by the Government. In short, he acquired the financial resources that were essential for the revival. He tried to obtain new machines and raw material at minimum prices. He tried to involve influential members of society to attract more contracts and recognition for the institute. For example, in 1994 Leader 1 was also appointed as the head of the *Khadi Gramodhyog Ayog* in Mumbai. It was also the time when nationwide the institutes were facing numerous challenges; they were weakening, and khadi sales were decreasing.

Because of the initiatives and efforts of Leader 1, 1000 crore rupees were contributed for the development of the khadi institutes nationwide. Because of all these efforts, KII set records in 1995-96 and 1996-97 for extraordinary progress. Another example occurred in 2003-2004 when Rajasthan State was suffering a famine. To support the artisans, Leader 1 connected the famine code with the artisans. As a result, artisans received 75% food help and continued to work in the khadi industry.

Strategies applied by Leader 2 to revive the khadi institute 1

Leader 2 adopted similar strategies, even though during his time KI1 had already gained some stability. During this period, several revival phase programmes were initiated by the KVIC. Leader 2 used some of these programmes, such as SFURTI and the Artisan Welfare Fund, which greatly helped in further strengthening the institute. Employees and artisans were motivated to maintain the quality of their regular work. Other strategies were applied by this leader to further develop the institute. The KI1 boundaries were expanded by opening new sale showrooms and sale points. Major marketing techniques were applied to attract youth as potential customers and employees. To make the products customer-friendly, Leader 2 welcomed any external support, such as training provided by other institutes in design and colour. He made additional efforts to develop the link between knowledge-based institutes and research institutes and the khadi institutes so that new knowledge of techniques, processes, and designs could be applied in KI1. This point will be elaborated in the next section. Because of these efforts, KI1 was able to revive again.

Information from the interview with the current secretary (Leader 2)

The secretary was quite clear about his ideas. He commented that

Bhook aadmi ko gaddar banati hai

(Translation - Hunger makes the people corrupt).

Therefore, his first aim is to increase employment and pay salaries to the employees and artisans high enough that they can feed themselves and their families properly. He also said that during the revival phase three traits common to both leaders were disciplined, hardworking attitude, and the intention to include innovation in all the products and processes of the institute. The word *new* was given high priority throughout the revival.

Core Element 3 – Harnessing the competence base

Four points will be discussed about harnessing the competence base of Khadi Institute 1: resource management, variety of funding channels, business relationships and networking, and marketing and sales.

Resource Management

Three kinds of resources are discussed in this thesis: human resources, financial resources, and raw material.

(1) Human Resources: Khadi institute 1 uses two kinds of human resources, khadi employees and artisans. Several employees work in various departments of the institute. Artisans are both men and women, spinners, and weavers.

The institute was established to provide facilities and support for artisans living in the nearby village of Dausa. Thus, finding and training spinners is not a problem. However, it is still a challenge to find the weavers in this area. The weavers who reside in distant villages are involved in less work, because of which their productivity is less and thus is less beneficial for the institute

(2) Financial resources: These comprise revenue from the sale of khadi products with the support of revenue from village industry products, support from traders, and products bartered or sold on credit for fixed periods, just like a loan. Government and private funding come via the KVIC and MSME through various revival programmes.

(3) Raw material: The raw material is only allowed to be bought from KVIC yarns. However, this also causes problems such as delays. To avoid these problems, sometimes even this raw material is bought from traders.

Variety of funding channels

(1) Support from Mega (MSME) and Macro (KVIC) Levels: During the revival phase, several development programmes were started by the KVIC and MSME to strengthen the khadi institutes. KII collaborated with higher levels and used their resources and support. For instance, its modern showroom was constructed, and its testing laboratory was built through the SFURTI programme. Various free training programmes are also available for khadi institute employees and artisans, as are funded schemes and projects at regular intervals.

Challenges: Numerous reports published by all three levels support the observation that support is regularly provided. However, much of this support is so complex that several institutes do not have employees sufficiently skilled to handle its complex nature, so they simply ignore it. The problems expressed by other institute secretaries included tedious paperwork, difficulty in communication, a generally difficult relationship with officials at the higher levels, and difficulty in obtaining allotted funds on time.

(2) Village Industry (VI) Products: KII is one of the most successful khadi institutes in Rajasthan, according to the categorization report developed by the Khadi and Village Industry Commission (KVIC). But it has faced several challenges in surviving and earning competitive advantage under volatile market conditions solely with the revenue generated by the sale of khadi products. Therefore, a portion of the revenue earned by the sale of village industry (VI) products and services have been used on several occasions to support the khadi industry. This strategy was also applied successfully earlier. Khadi and village industry production have supported each other since the pre-Gandhian Era. During the

Gandhian Era, when the khadi industry was systematically restructured, village industry products and processes were also developed alongside. This was for two main reasons. Firstly, it was the intention and vision of the leader during the Gandhian Era to make the country self-efficient, particularly in rural areas, so the development of village industry was considered important along with the khadi industry. Khadi and village industry together had the potential to advance economic development. In the reports sent by KI1 to the macro and meso levels, the khadi products' sales and revenue are completely separated from the village industry products. However, the field study found that in KI1 both khadi and village industry products are produced using most common resources. Therefore, it is extremely difficult to separate one from the other.

(3) Additional Support: KI1 has also benefitted from the support given by influential people within the community. These include businessmen, politicians, social workers, freedom fighters, and media people. Some of these influential people are also members of the advisory board. Outsiders benefit by gaining an opportunity to engage in the work of the khadi institutes. Khadi institute 1, in turn, benefits from their know-how, networks, and relationships. In a broad sense, the work and environment of all khadi institutes throughout the country are similar. Such external support is in principle available to institutes throughout the country. However, not all the khadi institutes can efficiently handle, maintain, and benefit from such support.

Khadi institute 1 (KI1) is one of the institutes which was able to use this support efficiently by maintaining strong relationships with influential members of the community and by regularly involving them in meetings and other events. Therefore, external support played an important supporting role in the success of KI1. The khadi industry has a long rich history that is closely intertwined with the freedom struggle of the country. The common masses have not forgotten that khadi brought the entire nation together and played a key role in winning the freedom of the country. Today, khadi is perceived by the citizens of India as a symbol of national heritage. Khadi institutes are officially connected and receive Government support. Common people willingly offer their services to contribute to the further development of this industry. Influential people have more reasons to become involved in the khadi institutes' work. For instance, they build strong networks with the government and the political arena, and they earn good names in the community by offering their services for the development of the khadi industry.

(4) Trading: KI1 has its production. Mainly of khadi cotton and other village industry products. It is engaged in trading with other khadi institutes, for example by buying silk khadi from Bengal or Orissa. It is engaged in both import and export.

Business Relationships and Networking

During the revival phase, numerous collaborations and relationships were formed to revive KI1. For instance, it collaborated with the Khadi Research and Training Centre, Delhi (MGIRI) and with the National Institute of Fashion and Technology (NIFT). The other element which strongly influenced KI1's strength was its strong relationships with individuals in powerful positions in political parties.

Linkage with development agencies

KI1 is a member of Dausa District development office also. As major NGO. It is not only supporting KI1 but also other organizations through its programmes.

Marketing and Sales

During the revival phase, priority was given to the upgrading of marketing and sales. As a result of the revival programmes, in KI1 khadi showrooms were modernized, new showrooms have been opened, and new fashion products and designs are now presented using dummies outside the showrooms. These changes made a huge impact on the institute's performance.

Observation made during an interview with the managers at the old and new showroom

KI1 maintains its old traditions by selling all the old traditional khadi clothes and other products in the same style in their old showroom. A number of their local customers still demand the traditional style and believe in it. In the new showroom, the majority of the products meet more modern customers' taste. The new showroom, which was constructed as a part of the SFURTI revival scheme funded by KVIC, has become the local attraction because of its large modern infrastructure and wide range of khadi and village industries products. This showroom is one of the largest and most modern in Rajasthan state. Customers from far and wide visit this showroom to buy authentic khadi products.

Just like any other textile shop, they put dummies outside. They promote khadi by designing it in various styles, adding natural colours, and marketing it in styles that are in line with the current market trend.

They also seek to promote clothes in which organic or bio colours are used for dye. But since such products are expensive, only a limited quantity is produced using organic colours.

The expert from the short interviews and discussion with the customers

One young couple informed the author that for them the now khadi showroom is the equal of any other clothes showroom. They are attracted to the showroom because of its modern style and regular changes in the range of products in modern styles. They hardly did the shopping at the khadi old showroom because it did not look appealing to them.

One older customer said that he has been wearing khadi clothes since Independence. He only wears khadi. Clothes made of any other fabric are not as comfortable. So, he prefers to buy mostly old-style khadi clothes from any of the old or new showrooms. He is a permanent customer who supports the initiatives made by the khadi industry to modernize the khadi products and showroom.

Information gathered during an interview with the vice secretary of KII

Many efforts are made to use both innovative marketing techniques and traditional styles. For example, large advertisements are sometimes placed in the main market of the state capital, Jaipur, called M.I. Road. Similarly, numerous marketing strategies are applied to finding marketing platforms.

Khadi was exhibited in *khadi utsav* at *rajput sabha utsav* in Delhi for almost 10-12 days. It is regularly exhibited in a special Diwali¹²⁹ sale between 8th October and 22nd October. In the India television series *Tarak Mehta ka ulta chasmha*, the protagonist wears a *kurta*¹³⁰. At KII, they deliberately designed the same colour and style khadi kurta. They even marketed the kurta using the name of the series. Similarly, they see which other celebrities or important personalities become famous among the people.

Example: information retrieved from an interview with a KII employee

Prime Minister Narendra Modi wears a khadi kurta and khadi half jacket. The institute has deliberately made efforts to design several kurtas in the same style, which they have named *Modi kurta* and *Modi jacket*. This is one of the highest sold products of the institute. In this cloth, innovation was made in the design, colours, fabric, and technique of sale.

¹²⁹ Diwali is a Hindu festival that is celebrated nationwide in India during October.

¹³⁰ Kurta - India men long shirt.

Core Element 4 – Organizational Intelligence

During the post-Gandhian Era, only negligible efforts were made to learn about customers or competitors. Because of this negligence, leaders did not even perceive the changes in the market, changes in customer demands, or changes in the competitors' approach. During the revival phase, organizational intelligence is considered highly important. KI1's employees regularly design products that are in line with the customer's interests. They invest a lot of time in observation and R&D to learn about current market trends.

Learning about the customers

During the revival phase, the prime target customers are the youth. Thus, a lot of work is done to keep the interests of young customers in mind. To learn about customer preferences, several measures are now taken. (1) Showroom staff are instructed to find out about these regularly by collecting formal and informal feedback. (2) Customer interest is also observed in the media.

Observations made in the showrooms

The staff hired in the new showroom is young and wears formal professional sales clothes. During the revival phase, they have been given the training to sell in the modern market. Customers visit the showroom quite often. Staff make a lot of effort to support them and to collect their feedback.

In contrast, the traditional style is maintained in the old showroom. The sales team here is also somewhat older, so they know their old customers' needs very well. However, the marketing and sales teams in both showrooms have been trained to sell to all types of customers.

Learning about the competitors

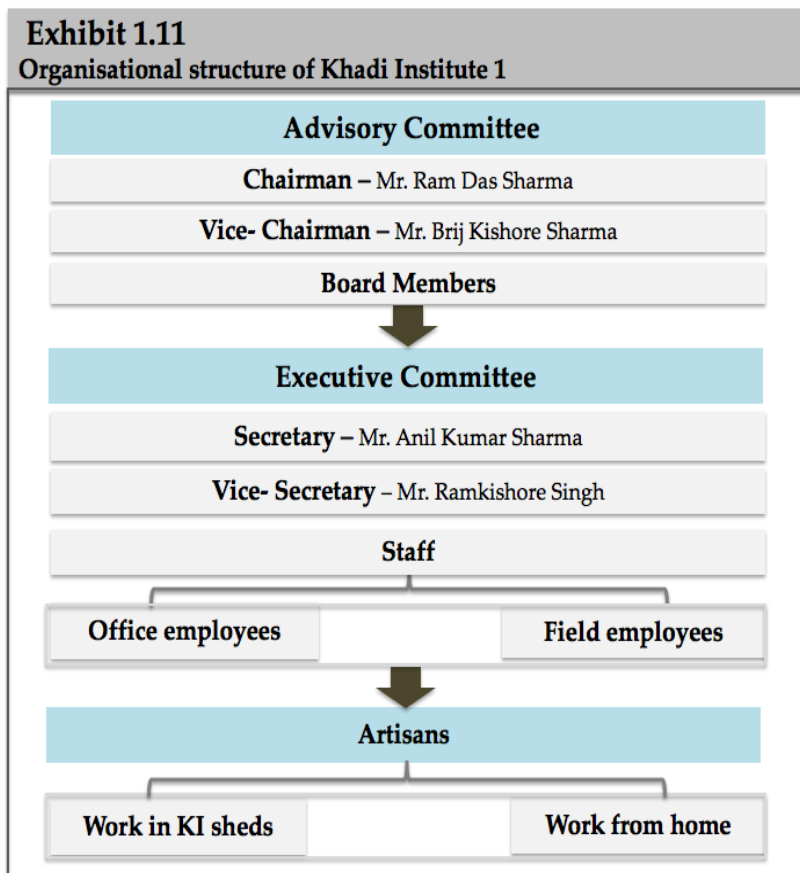
Learning about the competitors occurs by word of mouth because people are closely connected in khadi circles. From market observation, KI1 sees two main kinds of the competitor: high-tech readymade textile-producing institutes and other low-tech traditional khadi institutes. These have made several efforts to compete by using similar marketing and selling strategies, such as the use of media, innovative showrooms, and new, cheap, modern products.

Core Element 5 – Structure and Systems

The structure and systems of KI1 can be divided into two parts: (1) organizational structure and (2) reward systems.

Organizational Structure

The organizational structure of Khadi Institute 1 (KI1) has three main levels: Advisory Committee, (2) Executive Committee, and (3) artisans and artisan families. This structure follows the general organizational structure developed for the khadi institutes by KVIC in the Second Khadi Revival Era (SKRE).



Source: Author; based on field research in 2014

Importance of organizational structure during the revival phase

During the revival phase, the Khadi and Village Industry Commission (KVIC) gave guidelines for the composition of the organisational structure. In this composition, the advisory committee consists of members of the khadi institute as well as from the outside. All the levels are represented. Representatives from the executive committee and artisans are also part of this committee. Influential members of the community, employees of other khadi institutes, retired employees, and freedom fighters are among the members of the committee.

The motive behind such a composition is to involve community members in the development of khadi, and this composition strongly influences development. External members bring more resources to support the ongoing revival process. Their networks strongly help the process.

Advisory Committee: This is positioned on the topmost level. KII's current advisory committee consists of the chairman, vice-chairman, several members from diverse backgrounds, a mix of KII employees, artisans, and influential people from the community. Exhibit 1.12 shows that the current Advisory Committee consists of 15 members. It has 9 employees, 2 ex-employees, 2 artisans, and 2 businessmen. The Advisory Committee meets every three months.

Exhibit 1.12		
Khadi Institute 1 Advisory Committee		
1	Mr. Ram Das Sharma	Chairman
2	Mr. Brij Kishore Sharma	Vice- Chairman
3	Mr. Anil Kumar Sharma	Secretary
4	Mr. Ram Kishore Singh	Vice-Secretary
5	Mr. Krishnavtar Sharma	Businessman
6	Mr. Motilal Sharma	Businessman
7	Mr. Shankar Lal Sharma	Employee
8	Mr. Satyanarayan Gupta	Employee
9	Mrs. Anusuya Devi	Employee
10	Mr. Banwari lal Gaur	Employee
11	Mr. Rambharose Gupta	Employee
12	Mr. Govindnarayan Gupta	Employee
13	Mr. Harimohan Gupta	Employee
14	Mr. Prabhudayal Mavar	Artisan
15	Mrs. MeenaDevi Mavar	Artisan

Source: Information retrieved during field study (interview of vice secretary)

Executive Committee: The Executive Committee is positioned at the second level. It consists only of paid employees. KII's current Executive Committee is headed by the secretary, who is supported by the vice secretary. Then other staff members work either in the office or in the fields.

Artisan Families and Artisans: Artisans and artisan families are positioned at the third level. They are not considered full-time employees of the institute. At KII, artisans either work from home or in the work sheds of the main unit or the sub-units. Wages are paid either hourly or in exchange for the finished/semi-finished khadi products.

Exhibit 1.13: Artisans working at the Khadi Institute 1 production centres			
	Khadi Institute 1 main unit + sub-units	Spinners	Weavers
1	Alooda	46	20
2	Rajwas	20	45
3	Lavan	22	6
4	Banyana	95	16
5	Jeerota	103	10
6	Nangal	33	36
7	Bhandarez	22	55
8	Sental	44	6
9	Dausa	520	157

Source: “Katin-Bunkaron ki Soochi” (KKGS internal document report, 2014-2015)

Reward Systems

The regular award system was initiated by KI1 in 2001 to encourage employees and their families. Every year, a programme is organised in which there are cultural programmes and the employees are given awards based on their merits and performance. An annual bonus is given during Diwali. Additionally, scholarships are given to employees’ and artisans’ children. For instance, under the artisan welfare scheme, scholarships were given to 501 artisans’ children.

Core Element 6 – Culture and Climate

Several changes were incorporated in Khadi Institute 1’s culture and climate during the revival phase. The traditional¹³¹ khadi culture of the institute was given a new direction by keeping the old values intact. KI1 strongly follows the traditional culture of khadi institutes which was set up during the Gandhian Era. All its leaders were either freedom fighters or were strongly connected with politics. Thus, it has strong traditional roots. But it has never hesitated to incorporate new trends and techniques for the development of the institute. Culture and climate are divided into two parts: (1) empowered employees and (2) communication.

¹³¹ Traditional khadi culture was followed during the Pre-Gandhian and Gandhian Era.

Empowered employees

Changing the culture of a khadi institute by keeping its old values intact is a challenging task. To achieve this goal, firstly the employees and artisans were empowered. Empowerment of the employees is important for the institute as well as for the employees' overall growth. Thus, they were shown the current trends in the market, training was given, and their tools were upgraded. KI1 took several steps in this direction. For instance, the SFURTI project distributed 161 looms, 100 tools, 50 racks, and 31 pairs of safety goggles. Individual performance in the current market environment was improved through training, skill-building programmes, readjusting job profiles, and job rotation. Under the SFURTI project, 141 artisans were given training. Additionally, employees were sent to attend workshops and advanced technology training in khadi processing at IIT in Delhi. To encourage the employees and artisans, several other efforts were made during the revival phase. For example, various schemes detailed in Exhibits 1.14 and 1.1.5 empowered employees and artisans.

Exhibit 1.14: Programmes to support the artisans during the revival phase										
Jan Shree Beema Yojna: Insured Artisans (unit: lakhs rupees)										
Distribution	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Weavers	759	772	961	1090	1090	1132	1133	1139	1080	1167
Spinners	300	308	350	351	351	353	360	359	306	306
Total	1059	1080	1311	1441	1441	1485	1493	1498	1386	1473
Jan Shree Beema Yojna: Support in Education										
No. of children	132	164	138	178	251	335	382	456	526	501
Amount (unit Lakhs)	1.58	1.96	1.65	2.13	3.01	4.02	4.58	5.47	6.31	6.01
Welfare Fund: Weavers										
No. of Weavers	300	308	350	351	351	358	357	359	306	306
Amount (unit lakhs)	10.51	10.96	17.02	16.44	18.24	18.67	19.26	18.50	17.51	16.34

Source: A field study. Retrieved from internal office documents of KI1 during a field study in 2014; Kshetriya khadi Gramodhyog Samiti, Dausa (Rajasthan).

Exhibit 1.15:**Khadi Institute 1 artisans' support programmes during revival phase**

	Description	Target 2013-2014	Actual 2013-2014	Actual 2014-2015
	Assistance			
	Medical assistance for artisans	50,000 Rs	49,575 Rs	75,000 Rs
	Education assistance for employees' children	-	-	-
	Budget for emergency assistance	50,000 Rs	-	50,000 Rs
	Budget for natural disasters	1,00,000 Rs	-	1,00,000 Rs
	Janshree insurance premium	50,000	51,775	50,000
	Assistance for drinking water facilities, toilets, etc	1,00,000	-	-
	Travel expenditure for artisan exposure visit to Artisans Sabha Samaroh	2,00,000 Rs	1,98,691	2,00,000 Rs

Source: KI1 Meeting Report (31 May 2014; Time: 11.30 Hrs). Information retrieved during field Study. Internal office document provided by the Secretary of khadi institute. The information has been translated into English. Source: Khadi Institute 1 Annual Report.

Communication

The media used for communication at KI1 are telephones, mobiles, and fax machine. Recently they have started using applications such as WhatsApp for fast communication. More often they rely on calling each other frequently on mobile phones.

The Advisory Board meets every three months, while the Executive Committee meeting takes place monthly. Other meetings also take place regularly. There is no communication gap between the employees and the artisans in KI1.

Core Element 7 – Management of Technology

Several advances in technology have been made at KI1. (1) Solar spinning wheels have been tested. (2) A testing lab used to test colours and tools was constructed. (3) New processes and techniques have been applied to several stages of khadi production. (4) Computers were installed at the institute.

Challenges: information gathered during an interview with the accountant / IT manager

In KI1, the use of technology for communication is limited. Although new computers were given to the institute during the revival development programme schemes, the institute employees have not been trained to use this technology. There is also a degree of hesitation in using this medium of communication.

The IT manager of khadi institute 1 stated in the interview that, The computer room of the institute is just like an electronic post office. Whenever there is any mail in the institute common mailbox, the IT person prints it and gives the hard copy to the employee. The employees rarely use the computer as a medium of communication. They are not used to it. They are not trained, and there is a lot of resistance to using new technology in the khadi institute, especially for communication.

Additional

Khadi Institute 1 also contributes to the local economic development of the area; it regularly donates to the welfare of artisan villages and villagers in general. It is also contributing to sustainability: It has recently planted 500 green trees and plants in the area. It is also trying to use organic colours, organic dyes, and other environmentally friendly natural colours, to satisfy customer demands and also to sustain khadi as it originally is without any use of chemicals.

1.3. Dynamic Capabilities & Role of Innovation

1.3.1. Sensing

To understand sensing as an innovative dynamic capability in Khadi Institute 1 (KI1), it has been divided into three parts: processes to direct internal R&D, processes to tap supplier and complement innovation, and processes to identify target market segments and changing customer need.

Processes to direct internal R&D and select new technologies

During the revival phase, the processes to direct internal R&D have been highly influential in pushing the institute towards success. KI1 has worked regularly to strengthen its internal R&D.

Internal Research & Development tools: Recently, KI1 has invested in a technical testing laboratory at its main centre in Dausa. This laboratory will be used for testing raw material such as colours used in dyes and cotton fabric. Additionally, it has also invested in several computers for desk research.

Cooperation with institutions and university: KII has always been highly active in engaging in collaboration with other organizations. It has worked regularly with the Mahatma Gandhi Institute of Rural Industrialization (MGIRI). KII invites members of the other organizations to work on their innovative projects using the campus facilities. Several fashion designers, technical textile research teams, and others have contributed and benefitted from this collaboration. For example, fashion designer, Dr Anita Lunia, prepared a report titled, *Design development in cotton khadi and polyvastra weaving*. This was at the time when PRODIP scheme of the macro level (KVIC) was being implemented in the institute (2006-2007). The author has also benefitted from this cooperation while undertaking the research reported in this thesis. A separate guest house and office facilities are also provided by the KII to external researchers. This cooperation was always present in this institute but has become extremely useful during the revival phase. The leader of the institute promoted this idea.

Linkage with development agencies

As mentioned earlier, KII is also a member of other organisations. Such as Dausa District development office as major NGO. It is also contributing to other developmental projects such as Dausa women's development programmes, projects related to education, old age pension, rehabilitation, self-employment, and local economic development.

Collecting information: khadi institutes do not generally have separate R&D offices. All the members are involved in collecting information according to their departmental role. The marketing and sales team is the most actively involved in this work. This institute has developed a strong culture of collecting new information about product design, processes or any other aspect of the market. Every new piece of information that is collected and could be beneficial is rapidly discussed with the other members of the executive team or directly with the secretary or vice-secretary.

Brainstorming: Brainstorming takes place in all the departments at regular intervals. It was observed during the field study that topics which are related to new ideas have become part of their routine talk in the institute. Information is diffused rapidly in the institute. It is also shared during regular meetings. Most of the routines for selecting new knowledge, new products, new designs, and new technology are based on the trial and error method. It was also observed that the keen interest of the leader in the concept of *new* encourages people around to talk about this topic. They are extremely open to all kinds of suggestions coming from internal or external members.

Regular meetings: KI1 organizes meetings in two styles, formal and informal. Formal meetings are conducted according to an official guideline circulated by the macro and mega levels. This style is used at regular meetings of the advisory board every three months and the regular monthly meetings of the Executive Committee. There are also official meetings conducted by the KVIC and MSME according to the internal agenda. Informal meetings are one of the most important routines that have contributed to the success of the institute. The informal discussions and meeting are held on a daily or even hourly basis. This keeps all the members of the institute well informed, decisions are made quickly, and there is far less delay between decision making and execution, at least in small matters.

Recording: In the formal meetings, handwritten notes are taken which are later converted into internal reports and are sent to the higher levels or circulated in the office. In the informal meetings, handwritten notes are taken, and in most cases, the action is taken at once or shortly afterwards. The institute avoids delays as much as possible.

Processes to tap supplier and complementor innovation

Regular visits are made to machinery and raw material suppliers for information and training. Routines on selecting feedback, trial and error experiments are done mostly through trade shows. KI1 has made a series of acquisitions to acquire know-how.

Processes to tap developments in exogenous science and technology

KI1 has participated in many national and international fairs and exhibitions:

National Exhibitions: International trade fair (Delhi); Khadi Gramutsav Exhibition (Mumbai), Khadi Gramutsav Exhibition (Orissa), Khadi Gramutsav Exhibition (Madhya Pradesh), Khadi Gramutsav Exhibition (Himachal Pradesh), International trade fair (Jaipur).

International Exhibitions: Warsaw (Poland) in 2005 under the supervision of Leader 1, Santiago (Chile) in 2010 under the supervision of Leader 2, Lima (Peru) in 2010 under the supervision of Leader 2, Sydney (Australia) in 2010 under the supervision of Leader 2. During the revival phase Government allotted funds to the institutes so that they could take part and showcase their new products in a modern and innovative style. This planned initiative had a tremendous impact on the sale.

Processes to identify target market segments, changing customer needs and customer innovation

KI1 keep a close work relationship with other institutes to understand the changing market trends such as with fashion institutes, media etc. It also regularly engages in dialogues with customers.

1.3.2. Seizing

To understand seizing as an innovative dynamic capability in Khadi Institute 1 (KI1), it has been further divided into four parts: delineating the customer solution and the business model, selecting decision-making protocols, selecting enterprise boundaries to manage complements and control platforms, and building loyalty and commitment.

Delineating the customer solution and the business model

During the revival phase, one of the main aims of the khadi industry was to increase sales by attracting customers. For this purpose, it was essential to delineate customer solutions and the business model. Consequently, special attention was given to product development. This was done by using innovative ideas, processes, and designs. Selection of raw material and technology and new flexible processes played a key role. To design the revenue architectures, KI1 cooperated with fashion designers and the e-market. Continuous technology and product improvements were undertaken, such as network building to establish power at all levels, and designing flexible revenue architectures, with a variety of innovative value-adding products). Customer loyalty and target customers expansion. Constant quality improvement and the use of innovative materials. Extending to new target groups. Unconventional methods of marketing (e.g. bartering). Mechanisms to add value are always added through raw material, social corporate responsibility, customer training, and newly explored natural materials. Cooperation with social and corporate institutes. Products have won awareness and are accepted by high-income groups all over the world.

Selecting decision-making protocols

During the revival phase, the decisions were taken rapidly. In KI1, they also adopted the strategy of taking a quick decision and field implementation. Head of the institute (secretary) and the management team is involved in decision making. Secretary's decision is considered final.

Selecting institute boundaries to manage complements and control platforms

KI1's boundaries are now expanding. Earlier the main target market was limited to rural areas or nearby cities. Now the institute is also working to find the opportunities at national and international levels.

Building loyalty and commitment

To build loyalty and commitment among the customers in this competitive world is extremely challenging. Khadi institute 1, has always considered this point important. They have consistently improved the quality of their products, introduced new colours and designs, and have stayed committed to their work. They are trying to produce quality products to tight schedules, and this demands commitment. During the revival phase when the institute was able to invest more resources in its development. Such as, the modernization of its showroom, the inauguration of a new laboratory, production of new organic colours in a tie and die department, etc. Their regular customers continued to buy their products, and additionally the modernization of infrastructure and product design help in attracting youth.

1.3.3. Re-configuration

To understand reconfiguration as an innovative dynamic capability in Khadi Institute 1 (KI1), it has been further divided into three parts: achieving decentralization and near decomposability, managing co-specialization, and knowledge management.

Achieving decentralization and near decomposability

Khadi institute 1 has its main headquarter in the city center of Dausa district. Many artisan families dispersed in distant villages are engaged with this khadi institute for many years. Artisans had to travel long distances back and forth from their villages to the khadi headquarter in short intervals. Because of a lack of facilities and resources they either had to walk long distances or take help of cheap transport. Thus, to solve this problem KI1 employees decided to develop artisan villages and build their sub-units in the villages itself. They also provided the facility of transferring the raw material or finished products from the main unit to subunit at regular intervals.

During the revival phase, with the help of the resources given by the government. KI1 invested in the development of both its main unit, as well as all its sub-units. Their work now is fully decentralized, and highly efficient.

Its decentralized model has become extremely successful.

Governance

During the revival phase, in khadi institute 1 (KI1), internal governance is not an issue. However, they face challenges while dealing with the government procedures implemented by the KVIC and MSME, which are the upper levels of the khadi industry. Khadi institutes have to do a huge amount of paperwork to get any work done. Their payments are delayed quite frequently. This routine has now become a big problem, especially for small khadi institutes. Because their resources are limited. Some of them are depended for their survival on their every day or every month earnings. In such a situation, when the payments are delayed, they could cause a severe impact on the institute. Several rules made for the benefit of the institute are not in the favour of the institute (reported by all KI1 employees during the field study).

Managing co-specialization

KI1 is well known for managing co-specialization in both khadi and village industry products. In fact, on several occasions, the revenue earned from village industries has supported the khadi industry products. During the field study, it was observed that this institute has several workshops in its various units in which not only production work takes place, but professional training is also given to trainees or new employees. Additionally, it collaborates with other institutes in fields such as fashion designing and textiles to find solutions for managing co-specialization.

Knowledge Management

The reports of all the meetings of the advisory committee are regularly formulated and sent to the KVIC. Several records related to accounting and finance are prepared by the institute regularly. For every khadi industry development scheme, a detailed report is made which is shared with all the levels of khadi industry (MSME, KVIC and khadi institutes). There are several visits by KVIC officers to the institute and vice versa. KI1 still needs to formulate a common knowledge bank; currently, the information is too scattered. Although work is conducted efficiently, it is difficult to rely on written records and also difficult to understand them. Documentation is not been made with organizational structure and working in mind. It was a challenge to find the information required to characterize KI1 for this thesis.

Case 2

Khadi Institute 2

(Located in the state of Gujarat)

This case study has been developed by the author based on her fieldwork in three phases between 2012 and 2014. This was followed by desk work and regular phone conversations with the interviewees between the year 2015- 2019. Phases 1 and 2 are explained in the introduction of Appendix 1. Phase 3, described in this section, will focus on the low-tech khadi institutes in the state of Gujarat.

Exhibit 2.1: Field Study in the state of Gujarat		
Steps	Field Study	Location
Step 1	Visit to the State KVIC office	Ahmedabad
Step 2	Intensive field study at the selected khadi institute 2 (KI2)	Gondal
Step 3	Brief field study was also conducted in two more khadi institutes located in the same area for case validation	Gondal & Rajkot
Additional	<ul style="list-style-type: none"> Visit at the centre (museum and traditional medicine centre) where Gandhi was given the title of Mahatma. 	Gondal
	<ul style="list-style-type: none"> Visit at the Gandhi House and Museum 	Rajkot

Source: Author; Based on the field study

Step 1: Visit of the State KVIC office located in the district

This visit involved a lengthy interview with the KVIC Gujarat State Director followed by the group discussion with the director and employees. This exercise increased understanding of (1) the complex khadi industry structure and working and the position and role of the KVIC Gujarat office, (2) the status of the khadi institutes in the state of Gujarat, (3) the general status of the selected khadi institute, Khadi Institute 2, and its relationship with the KVIC and MSME, and (4) the khadi institutes in Gujarat. Comparing these institutes made it easier for the author to understand why the selected khadi institute is the highest-ranking, according to the KVIC's categorization method, in this particular khadi zone. (5) The interviewees also shared information about the other khadi institutes doing outstanding work. But since recategorization was still under discussion, these institutes are still ranked in the low categories.

Step 2: Intensive field study at Khadi Institute 2 (KI2)

The author conducted an intensive field study at KI2.

Exhibit 2.2: Intensive Fieldwork in Khadi Institute 2			
	Field Study was conducted	Location	Methodology
1	at the Main Unit (MU)	Gondal	Observations Visits Interviews Individual and Group Discussions Internal documentation
2	at the Sub-Unit (SU) in the city called Khadi Plaza. It has artisan workshed and modern showroom	Gondal	
3	at the Khadi machine tools (spinning and weaving machines) manufacturing centre. Also, consist of Artisan workshed and training centre.	Gondal	

Source: Author; Based on the field study

In this step, an intensive field study was conducted in KI2. As Exhibit 2.2 shows, the qualitative data was collected using diverse methods, observations, multiple visits to the main unit and sub-unit, lengthy discussions, interviews, and study of the internal documentation. The interviews and discussions were conducted in the local languages, Hindi and Gujarati. The internal documentation that was shared by the institute employees were in English, Hindi, and Gujarati. Multiple visits were made to all the departments and showrooms.

Step 3: Brief field study was also conducted in two more khadi institutes

A brief field study was also conducted in two additional khadi institutes located in the same region and facing similar market challenges. This step was taken to understand the situation of the khadi institutes in this area from a broader perspective and to validate the findings by cross-checking with employees at other khadi institutes working in similar market conditions.

Exhibit 2.3: Short Fieldwork in the other khadi institutes at Gujarat			
Step 3	Field Study was conducted	Location	Methodology
1	Khadi institute KI2 (2)	Gondal	Interview and discussion with the Secretary and the visit of the showroom.
2	Khadi institute KI2 (3)	Ahmedabad	Interview and discussion with secretary and visit of the showroom. Discussion with the showroom staff and customers.

Source: Author; Based on field study

Khadi Institute 2 (2) - This khadi institute is also located in Gondal city centre. Visit of the showroom and interview was conducted with the secretary.

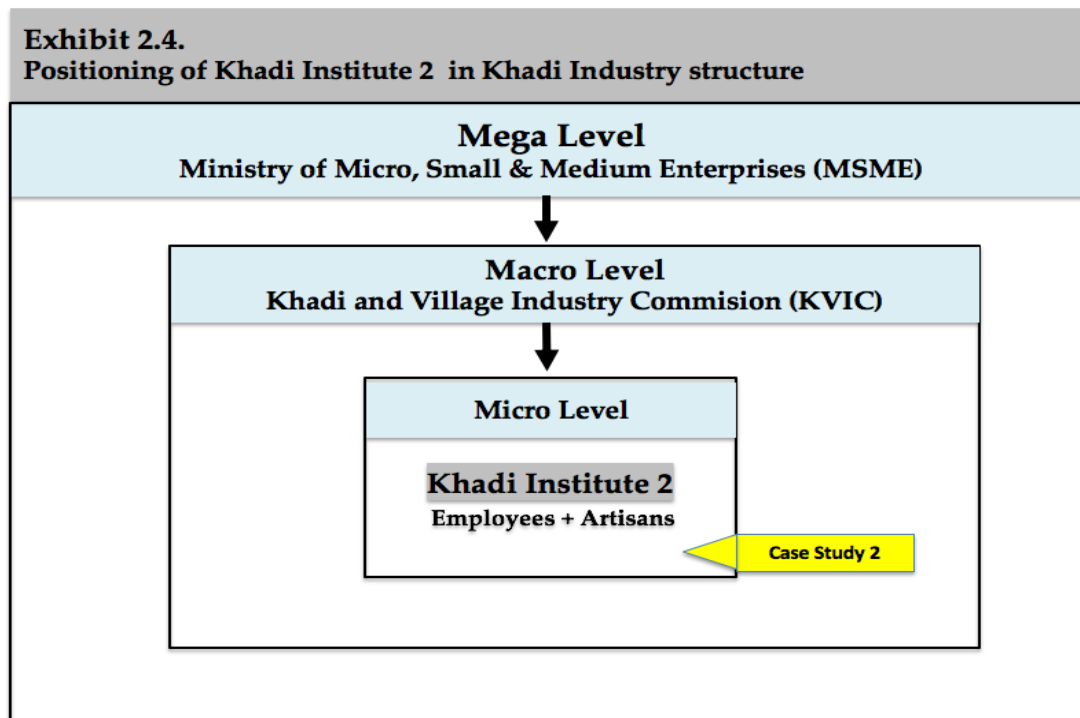
Khadi Institute 2 (3) - This khadi institute is in another city, called Rajkot. During this visit, interviews were conducted with the secretary who was also the ex-chairman of the KVIC. The showroom of KI2 was visited, and interviews were conducted with the showroom manager and other employees.

Additionally, Gandhi's old house and a few important buildings were visited where the khadi industry was systematically structured and rapidly expanded during the Gandhian Era. During this visit, an understanding was gained about the beginnings and expansion of the low-tech traditional khadi institutes.

2.1. Case overview

2.1.1. The positioning of khadi institute 2 in khadi industry

The position of Khadi Institute 2 (KI2) in the khadi industry structure during the Second Khadi Revival Era (SKRE) is illustrated in Exhibit 2.4.

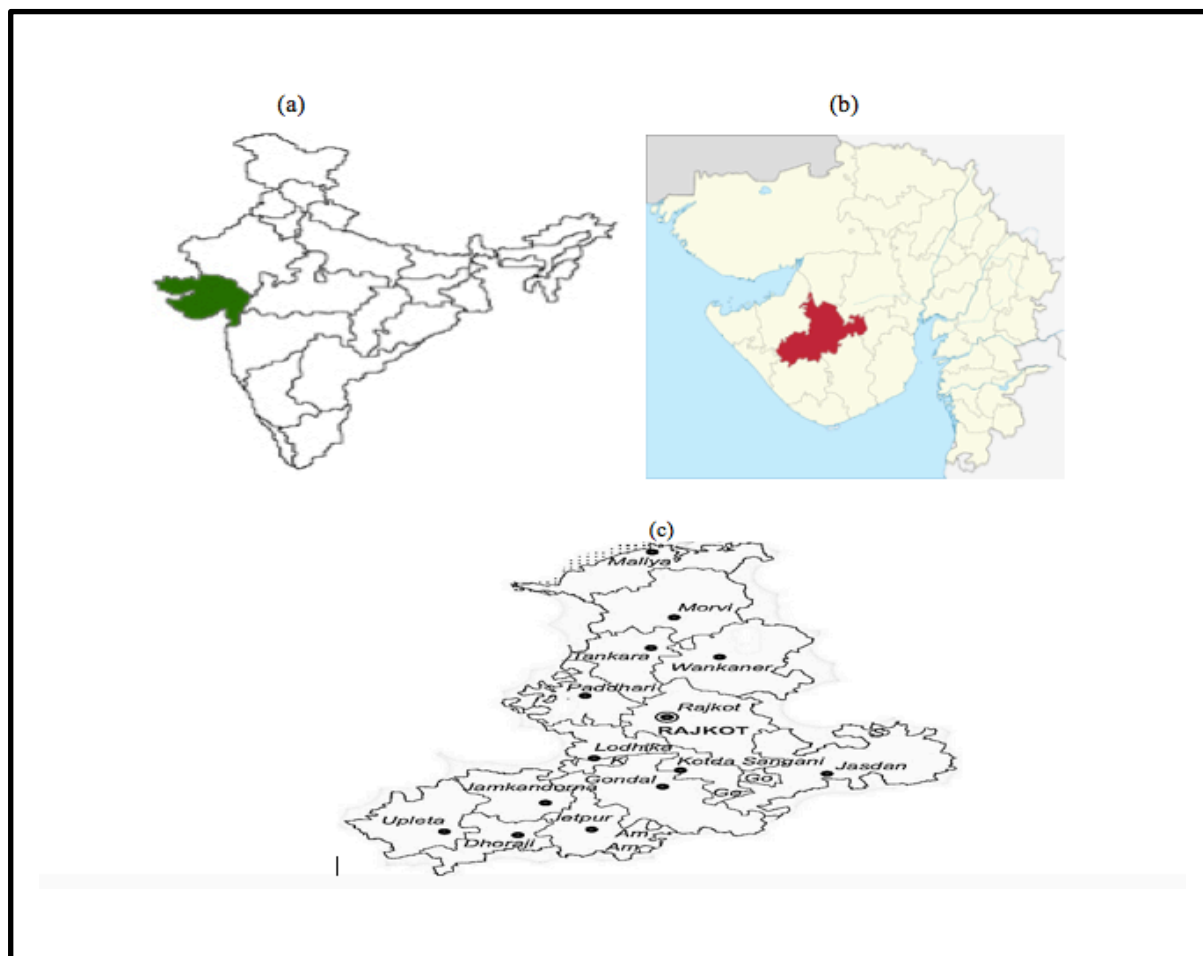


Source: Author - Information based on the qualitative data collected during the field study.

Exhibit 2.4 shows that the khadi industry structure consists of three levels.

(1) Mega level – the Ministry of Small and Medium Enterprises is the topmost in the hierarchy. It has headquarters in Delhi. (2) Macro level - KVIC headquarters are located in Mumbai. The KVIC state office which supervises KI2 is located the Ahmedabad District of Gujarat State. (3) Micro level: KI2 is located in the Dausa district of Rajasthan, as illustrated in the map (Exhibit 2.5). KI2 is registered at the KVIC state office. However, it must be noted that KI2 is not a Government office. It is registered by the Government office but works independently, like an NGO. It is closely supervised and supported by MSME and KVIC.

Exhibit 2.5: Location



Source

(a) India (Country) map - <http://www.webindia123.com/gujarat/index.htm>

(b) Gujarat (State) map - https://en.wikipedia.org/wiki/Rajkot_district

(c) Gondal (District) map - <http://www.onefivenine.com/india/villag/Rajkot>

2.1.3. Ranking

Khadi Institute 2 has secured the highest ranking in the categorization method in the state of Gujarat. As illustrated in Exhibit 2.6, KI2 secured 165 marks, placing it highest in the list. It was also given the award of *Gujarat Gaurav* in 2005 for best marketing.

Exhibit 2.6						
Ranking of khadi Institute 2						
	Name and Address of the Institute	Marks obtained (self-appraisal)	Marks approved by field office	Marks considered by Central office	Final Grades awarded	Notes
	Khadi Institute 2	-	165	165	A+	Highest marks in Gujarat

Source: Retrieved from the KVIC official website (Categorization)

Note: Categorization method applied for khadi institute selection in the north zone by KVIC Gujarat. A+ level List of categorization of khadi and polyvastra institutes affiliated to KVIC with effect from 01.04.2004 under five-tier grading system.

2.1.4. Historical background

Khadi Institute 2 (KI2) was set up in 1957, exactly ten years after the independence of India. It came into existence from a merger of several khadi institutes in the same area. It was formed under the leadership of a well-known freedom fighter, the Late Shri Hargovind Bhai Patel, also called ‘Babuji.’ The institute began from two rooms and expanded rapidly. In 1963, this institute was officially inaugurated by Shri Dhebarbhai Patel, then a minister. Thus, the work done in this institute was not new for any of the employees or artisans. (Source: Information retrieved from the Udyog Bharati internal documentation titled ‘*sanstha parichay*’¹³²). The business history of KI2 from the day of its official formation may be divided into four stages: stage 1 (1957-1982), stage 2 (1983-1987), stage 3 (1988-2007), and stage 4 (2008-2017).

Stage 1 (1957-1982): The beginning of KI2 was challenging, but later its development was rapid. As mentioned earlier, during the last phase of the Gandhian Era (until 1947) khadi institutes were flourishing. Right after independence, during the first phase of the Post-Gandhian Era, there were organizational changes, but neither the demand and supply of khadi products nor the regular working of khadi employees and artisans changed.

The Indian Government was making many efforts after independence to restructure and unite the khadi units scattered around the nation (For details refer to chapter 3: Post-Gandhian Era). However, after decentralization, an effort was made to establish a unit in Gondal, a city in Gujarat, as the efforts were failing in this area. Therefore, an efficient employee, the founder of KI2, was sent to Gondal to find the reasons, and also to make efforts to establish a unit. The first leader of KI2 took this work as a challenge. He started work by renting two rooms in the city. Slowly, the unit was established, and the work expanded. The skills of this leader proved to be highly valuable for KI2 and will be discussed further in the second section of this chapter (Core elements, Leadership).

Stage 2 (1983-1987): During this stage, KI2 faced the strongest challenges. There were two strikes, in 1982 and 1987. These were a major blow for the institute whose consequences were so severe that the institute was closed for a few months. Work came to a complete halt because of the employees’ strike. This problem started with minor issues related to some differences of opinion between the key people in the management and some of the employees.

¹³² Translation of Hindi language word *Sanstha Parichay* in English is Institute Introduction.

This problem spread like wildfire, quickly dividing the people working in the institute into two factions. This problem became so massive that the institute was closed for a few months. A court case was fought between the institute and some employees. This legal battle resulted in the victory of the institute. Several employees were fired at this time. Management was restructured.

Stage 3 (1988-2007): During this stage, the institutes made progress. However, many changes took place in the institute. To avoid the problem which had resulted in the temporary shutdown of the institute, several changes were made in the management structure, selection of new employees and the working style. The institute also became quite strict and attentive to exchanges and conversations which took place internally between the employees.

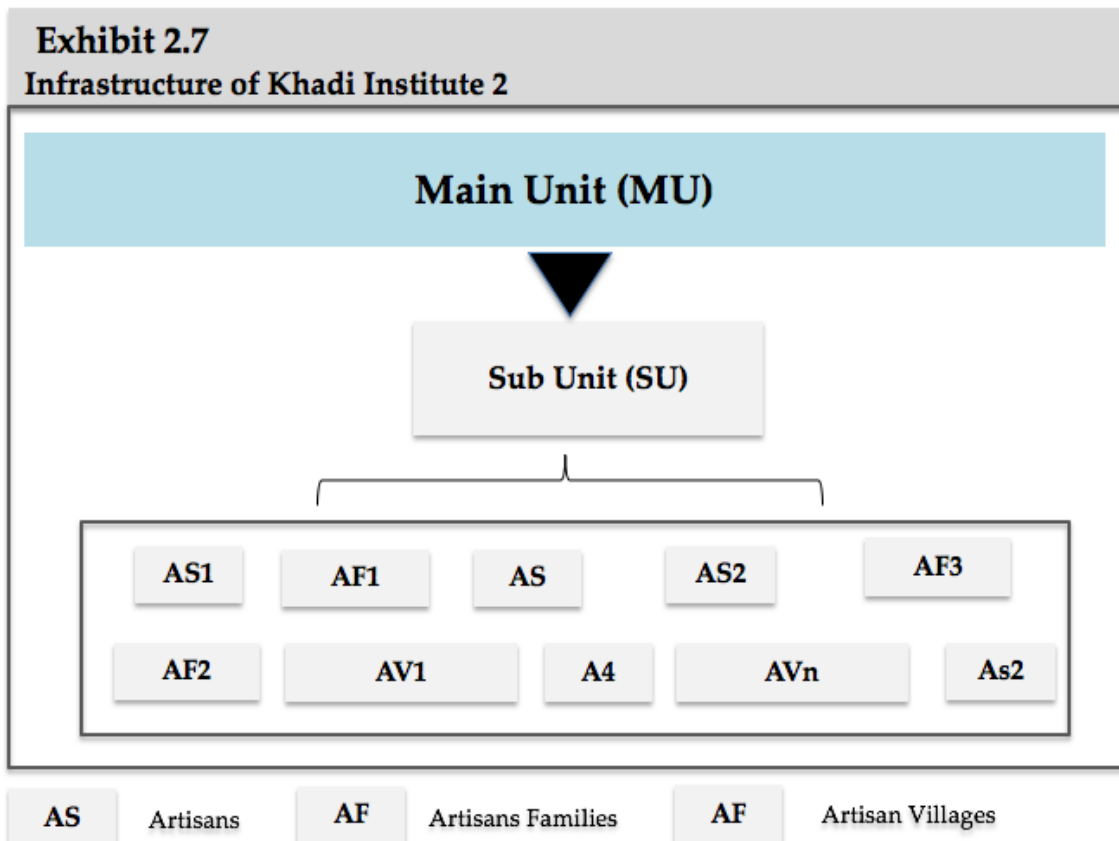
Stage 4 (2008-till date): During this stage, the leadership was changed. With the change in leadership, KI2 had to face another challenge. The founder had expired, and his son took his position. The working of the institute continued in a similar fashion. However, the institute was struggling with an internal challenge. There are two reasons for this. Firstly, the founder was an extremely skilled, talented, and highly efficient leader. He had a technical mindset and he was a trainer and educator. He gained a lot of respect and most importantly the loyalty of the staff.

But after his death when his son became the secretary, several employees were unhappy. There are several reasons for this. Firstly, he was a young man compared to the other experienced staff in the institute. Secondly, his skills were constantly compared with those of his father, and staff considered them lower. His leadership skills, lack of experience, lack of skills (in comparison to his father) and his dependence on some of the staff members in decision making also became a regular point of discussion between the staff internally.

2.1.5. Khadi Institute 2 -Type

Khadi Institute 2 (KI2) comes under the category type 1. As mentioned in Chapter 4, this category¹³³ includes institutes that have their production. Such institutes produce and sell one or more types of khadi: cotton, silk, or wool. Some institutes have large infrastructure while others have a small infrastructure. KI2 has large infrastructure. It is engaged in the production and services of both khadi and other village industry. It has one main unit and several sub-units, which are located in distant cities and villages. The focus of this thesis is on cotton khadi.

¹³³ Refer to the chapter (4) of this thesis for explanation related to different types of khadi Institutes.



Source: Author; Based on the information retrieved during the field study (interviews and internal documentation).

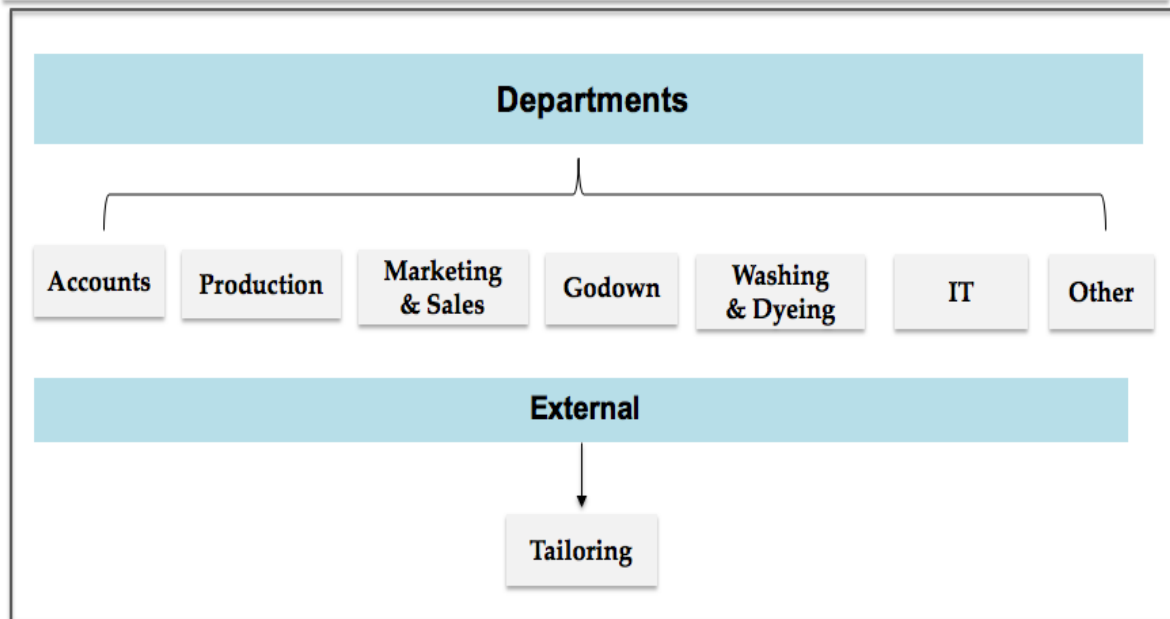
Main Unit of Khadi institute 2: The main unit of KI2 is in the centre of the city of Gondal. This campus is divided into three parts. The first part consists of the khadi institute offices, storeroom, artisan work sheds, khadi showroom, and tailoring shop. The second part consists of residential facilities for visitors. The third part consists of the secretary's house.

Sub-Unit of Khadi institute 2: Khadi Plaza

This building is roughly divided into few sections. The first part consists of the Artisan work sheds (big halls). The second part is a large modern showroom for khadi and village industry products. The third part is a residential facility for visitors. Employees and artisans work the institute office hours (8 to 5 pm). Their day begins with the morning ritual of combined prayers.

2.1.6. Departments of Khadi Institute 2

Exhibit 2.8
Main Departments in Khadi Institute 2



Source: Author; Based on the information retrieved during the field study

Internal: (1) Finance and Accounts Department – This department keeps a record of both the main unit and sub-units accounting. It is also responsible for budgeting. (2) Production Department – The main office controls production in the main unit and the sub-units. Daily reports are sent to the head office by the sub-units. (3) Marketing and Sales Department – This team works directly from the offices built in the khadi showrooms. During the revival phase, the showrooms were renovated. Innovative selling and marketing techniques were introduced in this department. (4) Godown (Storage) Department - This department handles the storage and maintenance of khadi raw material and finished goods. This team also deals with the artisans. They provide the raw material or collect the material from the artisans. This team is also responsible for paying the artisans according to their work. They work closely with the finance and accounting department. One of the main godowns is in the main unit and another one is in the city of Jaipur. Small godowns are also built at the sub-units. The team ensures that the finished products and raw materials can be easily supplied to various locations on demand. This team along with the marketing and sales team is also responsible for trading with other khadi institutes. KI2 has always been extremely stable since its foundation.

The fluctuations in the market, overall declining condition of low-tech traditional khadi industry and weakening of the khadi institutes had less influence on its performance than most khadi institutes. Its working and performance have been consistent since the beginning. However, during the revival phase, KI2 adopted several methods to revive its capabilities and strengthen its organizational intelligence to compete in the volatile market. During the revival phase, each department has restructured, innovations are being introduced regularly. In KI2, most of the employees have the knowledge and skills to work in multiple departments. Depending on need, employees can be moved from one department to another department. This improves the effective utilization of employees, who also enjoy the experience of working in different departments. Though it is a low-tech traditional institute, it practices some of the principles of autonomous workgroups at the employee level. Although executive committee team members have well-defined specific responsibilities, they work as a well-connected team and make important decisions as a single entity. (*Source: Information retrieved from the observation, field visit and interviews*). (4) There are a washing and dyeing department. (5) IT Department - In the IT department, two IT personnel were appointed during the SFURTI revival programme. They are paid by the KVIC office, not by the institute.

2.1.7. Type of employees and artisans in khadi institute 2

Khadi Institute 2 has two types of employees: office employees and field employees.

(1) Office employees – KI2 employees who work in the office are called office employees in this thesis. Khadi institute offices have several departments, such as accounting, administration, and IT, and each may have a secretary, vice-secretary, and office staff. The store manager and the head of the laboratory are also considered office employees. (2) Field employees: KI2 employees who work in the subunits or in the field, such as in trading and marketing, are called field employees. This category also includes employees who are responsible for showrooms and outlets.

Artisans: There are two categories of artisans in the khadi institutes. In the first category are the artisans who work in the KIs sheds.¹³⁴ In the second category are the artisans who work from home. (3) There are two categories of artisans in the khadi institute. The first category includes the artisans who work in the KI's sheds. The second category comprises the artisans who work from home. Artisans work part-time for hourly payment at the institute. Khadi institute employees receive a monthly salary, while the artisans receive the wages according to the amount of spinning or weaving that they have done.

¹³⁴ Khadi sheds – Working place for artisans in the institute itself.

They are paid throughout the month at regular intervals. There is no fixed time. Overall, 55 villages are covered, in which there are 700 spinners and 160 weavers.

2.1.8. Khadi Institute 2 Performance

The turnover of khadi institute 2 (KI2) beginning from its foundation is shown in Exhibit 2.9.

Exhibit 2.9: Khadi Institute 2 performance						
PRODUCTION (unit: Rupees)						
Activities	2004-2005	2007-2008	2009-2010	2010-2011	2011-2012	2012-2013
Khadi	35,98,366	28,97,182	47,00,567	61,29,440	70,52,337	1,00,49,492
Polyvastra	1,88,36,011	1,85,67,956	2,36,49,998	2,58,09,360	3,55,37,530	4,06,60,716
Polywool	-	-	-	-	-	-
Woolen	-	-	-	-	-	-
Silk	-	-	-	-	-	-
Village industry Products	-	-	-	-	-	-
Amber Charkha	35,11,870	1,55,79,125	1,46,46,130	96,37,990	3,01,500	2,44,900
Furniture	52,56,432	73,19,170	50,21,258	61,00,781	1,70,80,245	2,13,94,832
Leather Goods	7,41,173	5,54,738	7,28,219	10,65,819	10,73,180	11,86,084
Condiments	72,396	1,80,535	30,000	-	-	-
Weaving Equipments	67,000	32,81,400	48,28,950	34,11,125	36,68,150	34,10,700
TOTAL	3,20,83,247	4,83,80,106	5,36,05,122	5,21,54,515	6,47,12,942	7,69,46,724
SALES (unit: Rupees)						
Khadi	97,32,754	1,14,64,951	1,44,85,801	1,66,87,152	1,90,72,434	1,93,79,830
Polyvastra	2,72,85,814	2,93,80,368	363,87,848	4,22,73,350	5,19,29,457	5,62,48,719
Polywool	1,51,273	41,566	52,990	89,991	54,373	96,833
Woolen	6,05,964	6,72,062	5,11,740	6,63,604	8,42,202	6,14,234
Silk	12,52,472	18,19,111	14,56,200	21,65,118	32,77,785	16,69,775
Village industry Products	35,91,114	54,87,925	52,24,426	60,77,166	72,99,180	81,30,617
Amber Charkha	34,69,683	1,76,99,398	1,76,08,896	69,60,137	30,80,027	16,55,340
Furniture	54,43,857	74,09,091	50,61,248	63,28,966	1,73,29,861	2,14,65,391
Leather Goods	14,85,977	12,42,460	15,98,498	24,26,914	25,78,762	28,07,835
Condiments	5,91,511	4,90,440	5,27,949	4,66,123	5,25,633	4,96,157
Weaving Equipments	2,46,348	37,22,926	45,85,503	40,68,803	44,58,067	45,75,474
TOTAL	5,38,56,770	7,94,30,298	8,75,01,099	8,82,07,324	11,04,47,781	11,71,40,205
WAGES (unit: Rupees)						
Khadi	7,81,357	9,88,351	12,07,500	44,80,400	48,45,136	37,05,940
Polyvastra	64,55,545	68,66,655	84,80,000	1,00,64,800	1,33,31,291	1,37,84,547
Polywool	-	-	-	-	-	-
Woolen	-	-	-	-	-	-
Silk	-	-	-	-	-	-
Village industry Products	-	-	-	-	-	-
Amber Charkha	3,07,762	4,22,297	4,37,199	4,48,437	30,042	2,50,145
Furniture	5,41,386	11,56,385	9,61,235	12,55,726	27,85,532	39,54,752
Leather Goods	1,30,695	1,36,120	2,12,443	2,66,967	3,14,271	3,12,560
Condiments	6,870	5,383	1,185	-	-	-
Weaving Equipments	46,719	3,13,290	3,85,000	2,65,521	3,92,811	3,42,143
TOTAL	82,70,335	98,88,481	1,16,84,562	1,67,81,851	2,16,99,083	2,23,50,087
EMPLOYMENT (unit: Rupees)						
Khadi	508	450	510	510	528	428
Polyvastra	1298	1300	1400	1400	1382	1331
Polywool	-	-	-	-	-	-
Woolen	-	-	-	-	-	-
Silk	-	-	-	-	-	-
Village industry Products	-	-	-	-	-	-
Amber Charkha	32	60	90	90	50	50
Furniture	82	150	50	50	90	90
Leather Goods	30	30	30	30	30	30
Condiments	5	6	3	-	-	-
Weaving Equipments	4	15	25	25	25	25
TOTAL	1959	2011	2108	2105	2105	1954

Source: Khadi Insitutie 2 (internal documentation; *Ahwal avam hisaab* Records between 2004-2013)

KI2 is engaged in both the khadi and village industry, as can be seen in the exhibit. The focus of this thesis is only on the khadi industry. The exhibit indicates consistent increases in production and sales across all the activities. In 2012 -2013, there was a decrease in employment and subsequently in wages.

2.1.9. Khadi Institute 2 - Unique work routine

A unique work routine is followed in khadi institute 2. (1) The day starts at around 8 am. Employees and artisans are assembled for morning prayer. (2) After this morning ritual, everyone goes to their departments to begin routine work. (3) At around 12:30, there is a lunch break for one hour. Work stops completely in all the departments during lunch. All the employees are encouraged not to work during this time. (4) At 2 pm, the routine work continues until 5 pm. (6) At around 5.00 to 5.30, the official working hours of the institute end and everyone goes home. A similar work routine is adopted in the sub-units.

Field observation:

(1) KI2 employees are highly disciplined and strictly follow their work routine. Time management is extremely important in this institute.

(2) Most of the artisans are young females. High security is provided for these females. During the author's fieldwork, it was observed that only senior artisans are allowed to go outside the institute during the lunch break. Lots of young women work as artisans in this institute. They are not allowed to go out at the special request of the families.

If they want to go out, they have to obtain special permission. This strictness is important because, in this region, families normally do not allow their female family members to work outside. It is a conservative society. But families feel safe and comfortable to send their female members to this institute because of the strictness and close supervision.

2.2. Core elements

Core elements have played a key role in the revival of the low-tech traditional khadi institutes of India. They have strongly influenced the dynamic capabilities of the selected khadi institutes during the second khadi revival era. The literature review theoretically explained seven core elements: leadership, vision & strategy, harnessing the competence base, organizational intelligence, structures & systems, culture & climate, and management of technology. This segment investigates the influence of each core element on Khadi Institute 2 during the revival phase.

2.2.1. Core Element 1 – Leadership

This institute is considered one of the most successful institutes in the state of Gujarat. Leadership as a core element played an important role in influencing the dynamic capabilities (IDCs) of KI2 during the revival phase. The main reasons for its progress are a leader who was also a well-known freedom fighter and a trainer. For many years he gained experience while working at another khadi institute, called *Savrashttra Rachnatmak Samiti*, located at Rajkot (information retrieved from an interview with the secretary). After decentralization, he took his job very seriously. He trained people, properly utilized the resources that were available through external support and tried to develop the institute by maintaining the same culture and ethics as was maintained during the Gandhian Era. The first leader was a teacher, freedom fighter, hard worker, and was trained technically. His successful leadership skills are best illustrated by some examples. In 1957, the Khadi Board sent him to investigate why the work at Gondal was not successful. He took responsibility and rented a room for one month. He started training the people, and the institute started becoming successful from that point onwards. In 1963, the institute was inaugurated. In this institute, the amber charkha, a type of spinning machine, was not only technically developed but also manufactured.

Leadership and Revival of KI2: As mentioned in the historical overview above, in 1985 the institute was closed because of a strike by the union. But because of the leadership skills and intelligence of the leader, the subsequent court case was won. He seriously analysed the causes of the strike and adopted the strategy of firing the troublemakers in the institute. New people were recruited. This leader believed in self-reliance, so he did not depend on the support of Government supplies much. This was expressed by one of the employees during an interview¹³⁵ thus: ‘Because of the knowledge and skills of the founder, our employees have learned to be self-dependent. We do not care about Government supply.’

The second leader, being the son of the first leader, had grown up in the khadi atmosphere. He worked under his father from 1987 onwards and became secretary in 2014. He was also trained under the previous leader. Although he is not as technically well trained like his father, he brought a new set of skills such as marketing skills.

Current Challenges: There are several challenges which the second leader has faced which the previous leadership did not. For instance, he is currently facing a serious shortage of weavers. He is also facing a challenge to find hardworking artisans as were available in the previous leader’s time.

¹³⁵ Interview excerpt translated from Hindi to English by the author.

One of the main reasons for this shortage is the availability of more work options which are less labour intensive but offer higher earnings, such as jobs in the hospitality industry, which has been growing in this area or working in Government projects such as Government project called Narega (Information retrieved from the interview of the secretary and vice-secretary).

Excerpt from the interview with the KI2 secretary:

It is difficult to find the weavers and it is also difficult to find hardworking people. Therefore, we are trying new methods to attract customers.

Core Element 2 – Vision & Strategy

In the low-tech traditional khadi institutes, the leadership has substantial influence. In general, it is the vision of the leader or leaders that are followed by the staff. This is exactly what happened in the case of KI2. Therefore, the visions of two successful leaders (Leader 1 and Leader 2 of SKRE) will be discussed.

The vision of the founder, Leader 1, was to train employees and artisans technically and establish a strong-rooted institute. He was dedicated to the idea of producing the best quality khadi and khadi products. He encouraged the artisans and employees with the slogan

‘Asa banao ki log khud aaye’

Broadly translated, this means ‘make such a product that people will come themselves to buy from the institute’s stores.’ This proved to be one of the most successful words ever said and motivated the employees of KI2 until today.

“log galat tareeke se kar rahe hain, hum sahi tareeke se karen”

He was a firm believer in doing work with high ethics. Broadly translated, this means ‘several people use unethical and illegal ways to produce khadi. But we must follow the right path’. Because of which long term trust of customers is gained.

The vision of Leader 2 for the revival of KI2: Earlier, KI2’s production and sale were limited only to the rural areas. To revive the institute, his vision was to increase sales by re-introducing khadi in new styles to the urban population and continuing the sale of traditional khadi products in rural areas. He was successful in achieving this end. He adopted several strategies, which will be discussed in the next segment.

The vision of Leader 2 is the further expansion of KI2's boundaries to the international level and to attract the youth by producing innovative khadi products using modern processes and techniques. This vision resonates with that of the entire khadi industry, which is currently passing through the Second Khadi Revival Era. (Source: Qualitative data retrieved from the interview of the current secretary).

Strategies applied for the revival of KI2: Leaders applied several strategies which laid the strong foundation of the khadi institute. However, they were already successful. Thus, during the pre- revival phase the performance was not influenced much. During the revival phase, they did take benefit of all the Government schemes and developed further.

An expert from the interview of the vice secretary.

"Hamari sanstha main jyada asar nahi hua per government ke kiye gaye badlaav ko humne welcome kiya." Broadly translated, this means "Our institute was not affected much but we embraced (welcome) the changes brought by the Government."

Multiple strategies were applied by the leaders to increase the performance level of the institute. Such as, Leader 1 was a prolific trainer. He also set up a training institute. Khadi employees from nationwide are trained here. For the mass sale of khadi products, they also focused on some schools. During the revival phase, they received 2 years contract to make school uniforms from khadi. They made a lot of efforts to increase the diversity and modernize the khadi products. Products having modern designs, colours, sizes are being produced. A lot of variety is available for customers in the modern showrooms which attract them. KI2 is also receiving invitations from chain stores and shopper stops. Such as, from Bombay and Delhi shopper stop franchise. They did some experimental rounds to increase sales using this supply chain. However, later they decided not to continue this partnership because of lot of time consumptions and increasing complications in negotiations. It was easier and faster for them to sell through other channels. To fulfil the increasing demand of the customers and also to provide them with all kind of products. KI2 is also involved in trading. It buys the khadi products from other institutes also. Such as *Dari* (handmade traditional carpet) is imported, Silk from (Orissa, Bengal, and Andhra). Woollen (Rajasthan, Gujarat). It is also making efforts to produce khadi products made from the organic dye.

The most successful strategy which laid this institute on the top was to give a lot of emphasis on the marketing and sale of one particular khadi material. It is called *Poly Khadi* also famous in Gujarat as P1 brand khadi. It is a little bit different from traditional khadi because polyster is mixed in it. Customers like this product because it is soft and easy to maintain.

However, it must be taken into note that still poly khadi is not officially considered as the product of the khadi industry. It is kept in the category of village products because polyster is mixed. A lot of discussions are going on to make it legally a product of khadi industry.

Excerpt from the interview with the sales and marketing team:

The new huge showroom at the khadi plaza is famous for its Khadi P1 brand. It is frequently visited by politicians and important people in the region.

“bahut grahak line main khade rahte hain”

Broadly translated, this means “there are several occasions when the customer waits for their turn in the line.”

Influence by the huge success of this brand. Several local businesses tried to fake P1 khadi. Because of media, this issue came into limelight. People were made aware and this wrong practice came to a halt. Although the author observed in the market there are still few local shopkeepers who are trying in regular intervals to produce and sale fake khadi.

Core Element 3 – Harnessing the competence base

Four points will be discussed about harnessing the competence base of Khadi Institute 2: resource management, variety of funding channels, business relationships and networking, and marketing and sales.

Resource Management

Three kinds of resources are discussed in this thesis: human resources, financial resources, and raw material.

(1) Human Resources: KI1 uses two kinds of human resources, khadi employees and artisans. Several employees work in various departments of the institute. Artisans are both men and women, spinners, and weavers.

Artisans are both men and women, spinners, and weavers. Most of the population of this area are *kshatriyas*¹³⁶. These families are extremely conservative. Most of the kshatriya families do not allow their women to work outside. Women must wear *sarees*¹³⁷ and cover their heads. Therefore, employing these women as artisans is easy in this area.

They work from home and charge less money. KI2 engages about 700 spinners. They are given training by the khadi institute employees in every 3 months. They take the raw material home and bring back the semi-finished product.

For instance, to stitch a 12-inch duster takes 3 to 5 minutes. They are paid 55 paise each.

(2) Financial Resources: The main financial source of this institute is its direct sales of the khadi and village products. This institute also has a manufacturing unit to produce spinning and weaving machines. It is, in fact, the topmost manufacturer of these machines in the khadi industry. Several tools and machines are supplied to other institutes nationwide. It also receives findings from Government programmes. MSME & KVIC has launched several programmes to revive the khadi institutes during the last few years.

Variety of funding channels

During the Second Khadi Revival Era, KI2 has collected financial resources from a variety of funding channels.

(1) Support from Mega (MSME) and Macro (KVIC) Levels: Apart from their regular work and assistance, MSME and KVIC, also try to support the khadi institutes by offering support in multiple ways. For instance, several types of free training programmes, funded schemes and projects are made available to the khadi institutes. On several occasions, KI2 has made efficient use of these programmes.

For example - Funding during revival phase

Khadi Reform and Development Programme (KRDP) is a funded programme designed specially to support the khadi institutes during the revival phase. Several constructions were made in KI2 which had a huge impact on the success of this institute. Such as, Khadi Plaza (one of the most famous showrooms of the khadi institutes in Gujarat) was constructed because of the funding received from KRDP project. Similarly, through another scheme, Asian Development Bank (ADB) also funded 90 lakhs rs for computer room and 5 lakhs to build worksheds. An additional 22 lakhs were given by the minister Kumud bahen Joshi.

¹³⁶ Kshatriya is the name of a specific caste in India. Number of Kshatriyas are residing in Gujarat.

¹³⁷ Saree is the name of Indian women clothing.

(2) Village Industry (VI) Products: KI2 is one of the most successful khadi institutes in Gujarat, according to the categorization report developed by the Khadi and Village Industry Commission. But it has faced several challenges to operating on its own. It was difficult for KI2 to survive and to earn a competitive advantage under volatile market conditions solely with the revenue generated by the sale of khadi products. Therefore, a strategy was adopted by the KI2 leaders to support the khadi industry's ongoing work. A portion of the revenue earned by the sale of village industry (VI) products and services were used on several occasions to support the khadi industry. This point will be discussed further in the next section. Therefore, VI played an important supporting role in the success of KI2. (Source: qualitative data retrieved during interviews and discussions mainly with secretary and vice-secretary).

(3) Trading: It was found that the khadi industry work at KI2 is quite successful. But it still faces a strong challenge to survive only with the revenue generated by khadi product sales. Therefore, it is supported by the revenue earned by the sale of village industry (VI) products and services. It is involved in a lot of trading with other institutes. For its further development, it receives support in the form of free training for employees and artisans from the macro level (KVIC) and mega level (MSME). More details and examples to elaborate on this point are covered in the next segment (core elements). It must be noted that this institute is self-sufficient and does not depend too much on external financial assistance. (Source: Qualitative data retrieved from the field visits of KI2 units, interview with the secretary, and multiple discussions with the vice-secretary and other staff members). Woollen khadi is bought mainly from Rajasthan and Gujarat. Silk is bought from Orissa, Bengal, and Andhra.

(4) External Support: Khadi institute 2 (KI2) has also benefitted from the support given by influential people within the community. These include businessmen, politicians, social workers, freedom fighters, and media people. Some of these influential people are also members of KI2 advisory board.

The khadi industry has a long rich history that is closely intertwined with the freedom struggle of the country. The common masses have not forgotten that khadi brought the entire nation together and played a key role in winning the freedom of the country. Today, khadi is perceived by the citizens of India as a symbol of national heritage. Khadi institutes are officially connected and receive Government support. Common people willingly offer their services to contribute to the further development of this industry.

Influential people have more reasons to become involved in the khadi institutes' work. For instance, they build strong networks with the government and the political arena, and they earn good names in the community by offering their services for the development of the khadi industry.

Business relationships & Networking

During the revival phase, numerous collaborations and relationships were formed in this institute. However, it must be noted that this particular institute always had strong business relationships and networking partners. Since it also has one of the most famous training centres which were set up by the main founder. It also has the biggest manufacturing unit to produce spinning wheels, and a weaving machine (operated manually). Several innovations were made in this unit. Such as, Amber Charkha is updated regularly. There are numerous upgraded versions available now. Several institutes are also the customers of the tools, machines as well as the other khadi products. This institute also has a strong relationship with MGIRI (research & training centre).

During the fieldwork, it was observed that MGIRI researchers were making experiments with the solar spinning wheels. Some artisans of the institute were also involved. It was reported by one of the artisans that their performance has increased. They work for a few hours manually, a few hours with the help of solar power. This experiment has reduced their workload and it is also good for their overall health. This institute also has a very strong connection with NIFT (Fashion and designing). Latest fashion trends are incorporated in the khadi. This institute has also benefitted from strong political relationships. For Example, Politicians Kumud Bahen Joshi, Deber bhai, Som bhai, Naval Kishore ji strongly supported this institute in numerous ways (funding, etc). This resulted in a massive increase in sales. To increase the variety of its products. It is engaged in regular trading with other KIs. Such as, it buys National Flag from the institute KI3 (Nanded, Maharashtra). And on the other hand, KI3 buys looms, spinning wheels, etc from KI2.

Marketing and Sales

Khadi Institute 2 takes the support of the media for its marketing. It regularly advertises its products in the newspaper, local news channels, and radio stations.

Khadi institute 2 has four showrooms.

Khadi Gramodhyog Bhavan, Gondal; Khadi Gramodhyog Bhandar (Dhoraji); Polyvastra Bhavan (Rajkot); Khadi Plaza Gramsankul (Jamwali)

As mentioned earlier, this institute is hugely popular for its poly khadi products. Modern and new fashion, khadi products and designs are displayed on the mannequins outside the showroom. It attracts several customers. The storeroom managers and their team are making great effort into designing khadi products that can be used frequently by the customers. Not only on certain occasions but also in their daily life.

Information retrieved from interviews with showroom employees

Example 1: The khadi kurta¹³⁸ made from poly khadi for grooms is becoming quite popular in the Gujarat region.

Example 2: Khadi Institute 2 approaches celebrities for mass marketing. Numerous celebrities proudly endorse these products. Legendary Bollywood actress Mrs. Jaya Bachchan (wife of another legendary Bollywood actor Amitabh Bachchan) recently wore a khadi saree presented by KI2 in an event.

Showroom manager shared the following timeline

1980 - Amber charkha production

1982 - 1983: experiments /loss in the institute because of the union strike as mentioned in the historical background.

1992 - Showroom in Rajkot was opened

2006 - Showroom in Gondal called Khadi *Plaza* was built during the revival phase

Fashion shows: As a part of the revival programme, the KVIC organizes fashion shows. KI2 designer wares with innovative designs, colour, and branding have been presented in fashion shows multiple times by top models and designers in the fashion industry. This has given immense publicity and popularity to KI2's khadi products, and subsequently, its sales have increased.

Influence of modern showroom in the revival phase: During the revival phase, the KI2 showrooms were renovated. In the main unit, the old showroom was kept in a traditional style. A modern showroom called Khadi Plaza was built on the highway of Gondal city. It is located on the campus of the sub-unit, which is also close to the main unit. Both village and khadi products are sold there.

¹³⁸ Long traditional wear of Indian grooms in marriage ceremonies.

All the institutes in India have adopted this strategy. The traditional khadi, as well as traditional old-style products, are still extremely important, not only for the people working in the khadi industry but also for the native Indians, especially families strongly connected with the freedom struggles since generations. One full generation is now also habitual of using traditional khadi. To maintain the heritage of Gandhi, traditional khadi, as well as to adopt the modern changes in the market to attract the customers. All the institutes are trying to sale both the old and new style khadi products.

This new modern showroom has become extremely popular in the state of Gujarat. Since KI2 is located in the state where the first khadi institute was established by Mahatma Gandhi, it and all the khadi institutes in Gujarat are given high importance. KI2 has gained particular prominence because it also runs a training centre in which members of the khadi industry are trained or buy khadi tools such as spinning and weaving machines. The newly renovated showroom was opened and inaugurated by the minister, and politicians visit it regularly. It has also attracted customers from distant locations. It is famous for P1 khadi products. KI2's sales increased several fold after this showroom was inaugurated.

Support from the KVIC Gujarat office

The KVIC state office in Gujarat provides support in numerous ways to revive khadi institutes and promote khadi sales.

Information retrieved from KVIC officer interview

To promote khadi, KVIC organizes exhibitions and fashion shows, encourages khadi institutes to benefit from schemes such as PRODIP, provides various grants, invests in the renovation of old khadi shops, and applies an ISO mark. It also distributes spinning wheels, weaving machines to artisans, and scholarships to artisans children.

Several schemes are also in planning. Although the KVIC office faces several challenges to implement some of its programmes, it has already succeeded in implementing numerous other programmes in this revival phase.

Challenges

(1) Branding: During the revival phase khadi industry is making efforts to build a khadi brand.

Information retrieved from the interview with a KVIC Gujarat officer

Just like the brands Adidas and Nike are world famous in the shoe market, we are trying to make the same name for khadi brand.

Competition from local competitors selling fake khadi brand: Because of the popularity of a line of KI2 products called P1 khadi, several local competitors have started selling imitations of the genuine P1 khadi. Sometimes consumers cannot differentiate these fakes from the genuine P1 khadi. KI2 has taken several legal measures to stop this. It must be noted again that poly khadi is considered to be a village industry product. This is because it is not a pure form but mixes artificial fibres with traditional khadi fibres. This is done to make it softer. It is currently being discussed whether P1 khadi should be included in the khadi industry or not. Several khadi industry people are opposed to this idea, while others are in favour.

Core Element 4 – Organizational Intelligence

Learning about the customers

This takes place through media and networking and word of mouth. Target customers are those who are interested in buying modern khadi products, particularly poly khadi.

Learning about the competitors

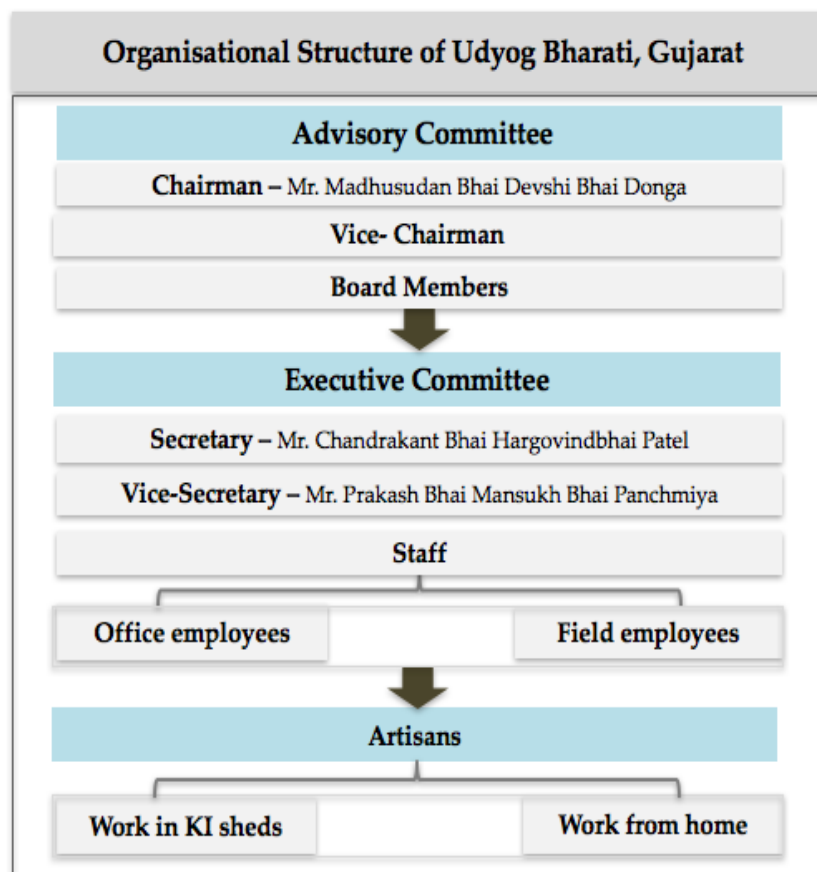
Learning about the competitors is mainly by word of mouth because people are closely connected in the khadi circle. KI2 are leaders in this region. They learn about their competitors through word of mouth.

Core Element 5 – Structure and Systems

In the structure and systems of khadi institutes, there are two subcategories, organizational structure and reward systems.

Organizational Structure

The organizational structure of Khadi Institute 2 has three main hierarchical levels: (1) the Advisory Committee, (2) the Executive Committee, and (3) artisans and artisan families. This structure follows the general organizational structure developed for khadi institutes in the Second Khadi Revival Era (SKRE).

Exhibit 2.10: Organisational structure of Khadi institute 2

Source: Author; based on field research in 2014

Note: Organizational structure has not changed since then; the author has re-checked the status in 2017.

Advisory Committee: This is the uppermost level. KI2's advisory committee consists of several members from diverse backgrounds. The general guidelines for the composition of the advisory committee are given by the KVIC. The Board meets every three months and is headed by its chairman, Mr. Madhusudan Bhai Devshi Bhai Donga.

The secretary of the Executive Committee, Mr. Chandrakant Bhai Hargovindbhai Patel, is also a member of the Advisory Board. Other members include a mix of KI2 employees, artisans, and influential people from the community who are engaged as external members of KI2.

Exhibit 2.11		
Khadi Institute 2 Advisory Board		
1.	Mr. Madhusudan Bhai Devshi Bhai Donga	Chairman
2.	Mr. Chandrakant Bhai Hargovindbhai Patel	Secretary
3.	Mr. Prakash Bhai Mansukh Bhai Panchmiya	Member
4.	Mr. Mohan Bhai Lalji Bhai Patel	Member
5.	Mr. Mohan Bhai Punja Bhai Vachani	Member
6.	Mr. Do. Haribhai Vashram Bhai Talviya	Member
7.	Mr. Niranjana Bhai Hariprasad Bhai Dave	Member
8.	Mr. Rajendra Bhai Ravishankar Bhai Joshi	Member
9.	Mr. Mohan Bhai Veera Bhai Pardhi	Member
10.	Mr. Jashwantiben Bachu Bhai Chawda	Member
11.	Mr. Nanduben Jayanti Bhai Dhabhi	Member
12.	Mr. Dinesh Bhai Premji Bhai Parmar	Member

Source: Information retrieved from KI2 internal documentation ‘Ahwal avem Hisaab’ Udyog Bharati (2011-2012 / 2012-2013). This information was verified in discussions with the vice-secretary during the field study.

Executive Team: The Executive Team is the second level. It consists only of paid employees. As the Exhibit illustrates, the Secretary, Mr. Chandrakant Bhai Hargovindbhai Patel, heads the current Executive Team. Next to him is the vice-secretary, Mr. Prakash Bhai Mansukh Bhai Panchmiya. Both of them are also members of the Advisory Board.

Artisans and artisan families: Artisans and artisan families are the third level. They are not considered full-time employees of the institute. They work either part-time from home or in the sheds of the institute. At KI2, artisans also work in the production units close to their homes. Wages are paid either hourly or in exchange for the finished or semi-finished khadi products.

Reward System

KI2 has always encouraged and supported its employees and artisans. During the revival phase, the reward system was further developed.

Core Element 6 – Culture and Climate

Generally, khadi institute 2 (KI2) follows the old traditions but adopts tough business techniques to sell their products. Its culture and climate can be considered under two subcategories, empowered employees and communication.

Empowered employees

Empowerment of the employees is quite important both for the institute and for the employees' overall growth of the khadi institute. To empower the employees during the revival phase, several efforts were made to improve individual performance by training, workshops, skill-building programmes, readjusting job profiles, and job rotation. An exchange of knowledge is a requirement for innovative activities.

This is achieved by encouraging and promoting a knowledge-sharing culture through communication, open dialogues, and discussions. Under the SFURTI project, many artisans were given training. Additionally, employees were sent to attend workshops and advanced technology training in khadi processing at IIT in Delhi. Recognition motivates people to undertake innovative activities. This is done at KI2 by recognizing individual and team performances and giving awards. Under the artisan welfare scheme, 306 weavers and 1167 spinners are insured, scholarships have been given to 501 artisans' children, and a KI employee retirement fund has been established.

Communication

The Advisory Committee meets every 3 months, and the management meeting takes place monthly. Communication is extremely fast. They use mobile phones to communicate internally and fax machines to communicate externally.

Core Element 7 – Management of Technology

During the revival phase, technology is slowly being introduced in various departments of the khadi institutes. In principle, advanced technology is prohibited by the Government in the direct manufacture of khadi. To compete with high-tech industries, technology is used in some departments. However, it is used in such a manner that firstly, the artisans' employment is not affected. Secondly, the institute does not violate any Government rules. Thirdly, it should slowly start adopting the technology but must respect and follow the traditional values and principles of the khadi industry, which give handmade and hand-woven products the highest importance.

Computer room and computer operators: During the revival phase, the institute has received the benefits of the SFURTI scheme developed by the KVIC to support the khadi institutes in revival. Under this scheme, funding was given to set up the computer room, and two computer operators were recruited by the KVIC. They work in the institute for a specific period. New computers are installed. In KI2, the computer operators are slowly trying to develop a database from hand-written documentation.

Barcoding: Khadi Institute 2 has started bar coding all its products. The barcoding system has been highly successful and is also appreciated by the customers.

Although there are strong resistance and hesitation about share records and adopting technology, some changes are slowly taking place.

MGIRI experiments (Solar Charkha and Solar Kargha): During the field visit, the khadi institute was testing a solar charkha, or spinning wheel, and a solar kargha, used for weaving in cooperation with the MGIRI. The tests were successful. During the interviews and discussions, the majority of artisans were in favour of solar charkha and kargha.

Example: information retrieved from the interview with KI2 secretary

MGIRI performed 10 experiments to convert an amber charkha to run on solar energy.

Example: information retrieved from an interview with an old female artisan (+65 yrs age).

The artisan stated that it was extremely difficult for her to work on the traditional tools for eight hours. But with the solar tools, it is much easier because the effort is reduced.

New technologies are frequently applied to fine-tune the looms and spinning wheels, Experiments on Poly Khadi.

Example: information retrieved from an interview with an artisans' group (between 20-40 yrs). These artisans work from home and visit the institute regularly.

The female artisans' group stated that one of the problems is the quality of the thread. It breaks quite often, which presents problems in increasing their performance.

2.3. Dynamic Capabilities & Role of innovation

2.3.1. Sensing

To understand sensing as an innovative dynamic capability in Khadi Institute 2 (KI2), it has been divided into three parts: processes to direct internal R&D, processes to tap supplier and complement innovation, and processes to identify target market segments and changing customer need.

Processes to direct internal R&D and select new technologies

During the revival phase, the processes to direct internal R&D had been highly influential in pushing the institute towards success. Khadi Institute 2 has been regularly working to strengthen its internal R&D.

Internal Research & Development tools: This institute has been investing a lot of funds to develop its research & development tools. Such as in its tools manufacturing unit, spinning and weaving machines, solar kargha and charkha, and during the revival phase it also invested in computers, price labelling small automated tools, etc.

Cooperation with institutions and university: Khadi Institute 2 has always been highly active in engaging with other organizations. Several organisations, such as MGIRI does a lot of its new research and experiments in this institute. Khadi institute employees from nationwide visit this institute and collaborate in multiple projects.

Linkage with development agencies

It is a member of not only khadi organisations but several development organisations in Gujarat. It is also helping artisans and villagers in a variety of ways.

Collecting information: Process of information collection in all the khadi institutes is more or less similar. Institutes do not generally have separate R&D offices. All the members are involved in collecting information according to their departmental role. The marketing and sales team is the most actively involved in this. This institute has developed a strong culture of collecting new information about product design, processes or any other aspect of the market. Every new piece of information that is collected and could be beneficial is rapidly discussed with the other members of the executive team or directly with the secretary or vice-secretary.

Brainstorming: Brainstorming takes place at all levels at regular intervals. It was observed that discussions and brainstorming based on new concepts have become routines in the institute. Information is diffused rapidly in the institute. It is also shared during regular meetings. Most of the routines for selecting new knowledge, new products, new designs, and new technology are based on the trial and error method. It was also observed that the keen interest of the leader in the concept of *new* encourages people around to talk about this topic. They are extremely open to all kinds of suggestions coming from internal or external members.

Regular meetings: KI2 organizes meetings in two styles, formal and informal. Formal meetings are conducted according to an official guideline circulated by the macro and mega levels. This style is used at regular meetings of the Advisory Board every three months and the regular monthly meetings of the Executive Committee.

There are also official meetings conducted by the KVIC and MSME according to the internal agenda. Informal meetings are one of the most important routines that have contributed to the success of the institute.

The informal discussions and meeting are held on a daily or even hourly basis. This keeps all the members of the institute well informed, decisions are made quickly, and there is far less delay between decision making and execution, at least in small matters.

Recording: In the formal meetings, handwritten notes are taken which are later converted into internal reports and are sent to the higher levels or circulated in the office. In the informal meetings, handwritten notes are taken, and in most cases, the action is taken immediately or shortly afterwards. The institute avoids delays as much as possible.

(1) Testing laboratory, Computer centre, digital numbering and coding has been set up in the campus to work, (2) New processes, new designs are explored in the market, (3) Regular meeting with the advisory committee (after every 3 months), (4) Regular meeting with executive committee (every month), (5) Regular informal meetings or discussions with staff and artisans, (6) Close connection with employees.

Processes to tap developments in exogenous science and technology

This institute is known for its training and research. Other organizations visit regularly to learn skills from this institute. KI2 also has a close connection with MGIRI's research and training centre. Several projects are currently running there such as the solar charkha and solar kharga mentioned above.

Participation in national and international fairs and exhibitions

National Exhibitions: Participation in multiple exhibitions.

Live demonstration given by the khadi institute 2 artisans at Ministry of MSME. This was done by 2 spinners and 1 weaver.

International Exhibitions: Khadi institute 2 (KI2) has participated in exhibitions organised by the KVIC in England, and Milan (Italy) two times. KI2 participated in international exhibitions on its own in Dubai to represent itself.

Processes to identify target market segments, changing customer needs and customer innovation

Participation in national and international exhibitions. Active interaction with customers and other suppliers.

2.3.2. Seizing

To understand seizing as an innovative dynamic capability in Khadi Institute 2 (KI2), it has been further divided into four parts: delineating the customer solution and the business model, selecting decision-making protocols, selecting enterprise boundaries to manage complements and control platforms, and building loyalty and commitment.

Delineating the customer solution and the business model

Khadi institute 2, operates like a highly disciplined, customer-oriented family business. Business ethics and the working environment of this institute is highly appreciated by the decision makers and influential public personalities. It is considered as a role model of Gujarat.

Selecting decision-making protocols

During the revival phase, the decisions were taken rapidly. In KI2, they adopted the pattern of taking quick decisions. However, the secretary takes all the decisions.

In this business model, the vision is not to extend the campus but to maintain the quality of its work and products.

Selecting institute boundaries to manage complements and control platforms

In KI2, the boundaries are now expanding. The main target market is the rural areas and the urban areas of Gujarat. Now the institute is also working to find the opportunities in national and international levels.

Building loyalty and commitment

Loyalty and commitment have been the most important strengths of KI2. They are trying to produce quality products to tight schedules, and this demands commitment.

2.3.3. Reconfiguration

To understand reconfiguration as an innovative dynamic capability in Khadi Institute 2 (KI2), it has been further divided into three parts: achieving decentralization and near decomposability, managing co-specialization, and knowledge management.

Achieving decentralization and near decomposability

KI2 uses a decentralized structure at the operational level.

Governance

Just like in other institutes. In KI2, internal governance is not an issue during the fast revival phase. However, they face challenges while dealing with the government procedures demanded by the KVIC and MSME. The paperwork is too much, and the payments are delayed. Several rules made for the benefit of the institute are not in the favour of the institute (reported by all KI2 employees).

Managing co-specialization

KI2 is well known for managing co-specialization in both khadi and village industry products. In fact, on several occasions, the revenue earned from village industries has supported the khadi industry products. During the field study, it was observed that this institute has several workshops in its various units in which not only production work takes place, but professional training is also given to trainees or new employees.

Additionally, it collaborates with other institutes in fields such as fashion designing and textiles to find solutions for managing co-specialization. They also have an amber charkha unit and collaborate in research projects with the MGIRI.

Note: Although KI2 was officially established in 1963, it was created by the efforts of khadi practitioners and freedom fighters. This institution was formed after the founder collected the artisans and artisan families living in this region. Therefore, their knowledge base, experience and values are generations old.

Knowledge Management

All the khadi institutes nationwide follow more or less similar processes. The reports of all the meetings of the Advisory Committee are regularly formulated and sent to the KVIC. Several records related to accounting and finance are prepared by the institute regularly. For every khadi industry development scheme, a detailed report is made which is shared with all the levels of khadi industry (MSME, KVIC and khadi institutes). There are several visits by KVIC officers to the institute and vice versa. Most of the internal documentation is written in the local Gujarati language. Some data is printed while some are handwritten. This institute is slowly using computer services to save the data.

Case 3: Low tech traditional institute

Khadi Institute 3

(Located in the state of Maharashtra)

This case study was developed by the author based on her fieldwork in three phases between 2012 and 2014 and followed by desk work and regular phone conversations with the interviewees between 2015 and 2019. Phase 1 and 2 are explained in the introduction of Appendix 1. Phase 3 here describes the status of the low-tech khadi institutes in the state of Maharashtra. The focus will be on the selected khadi institute.

Exhibit 3.1: Field Study in the state of Maharashtra (2014)		
Steps	Field Study	Location
Step 1	Visit of the Head KVIC office Visit of the State KVIC office Interview and discussions with KVIC director & other staff	Mumbai
Step 2	Intensive field study at the selected khadi institute 3 (Main unit and three subunits)	Nanded (Kandhaar, Ausa and Udgeed)
Step 3	Brief field study was also conducted in two more khadi institutes located in the same area for case validation	Nanded & Ausa
Additional	Visit at the National Flag tailoring shop	Nanded

Source: Author

Step 1: Visit of the State KVIC office located at Mumbai

During this visit, lengthy interviews and discussions were conducted with the KVIC state office's director and employees. This exercise increased understanding of (1) the complex khadi industry structure and working and the position and role of the KVIC Maharashtra office, (2) the status of the khadi institutes in the state of Maharashtra, (3) the general status of the selected khadi institute, khadi institute 1, and its relationship with the KVIC and MSME, and (4) the khadi institutes in Maharashtra. Comparing these institutes made it easier for the author to understand why the selected khadi institute is the highest ranking, according to the KVIC's categorization method, in this particular khadi zone.

Step 2: Intensive field study at the selected khadi institute 3 (KI3)

The author conducted an intensive field study in the selected khadi institute 3.

Exhibit 3.2: Intensive Fieldwork in the selected Khadi institute 3			
Step 2	Field Study was conducted	Location	Methodology
1	at the Main Unit (MU)	Nanded	Observations Visits Interviews Individual and Group Discussions Internal documentation
2	at the Sub-Unit (SU) in the city		
3	at the Sub-Unit (SU)	Ausa	
4	at the Sub-Unit (SU)	Udgeed	

Source: Author; Based on the field study

In this step, an intensive field study was conducted in Khadi Institute 3 (KI3). As shown in Exhibit 3.2, qualitative data was collected using diverse methods, observations, multiple visits to the main unit and sub-units, lengthy discussions, interviews, and study of the internal documentation. The interviews and discussions were conducted in the local languages, Hindi and Marathi language. Some of the internal documentation shared by the khadi institute employees was in both Hindi and English, but mainly in Hindi. Multiple visits were made to all the departments and showrooms.

Step 3: Brief field study was also conducted in two more khadi institutes

The author conducted an intensive field study at KI3. A brief field study was also conducted in two additional khadi institutes located in the same region and facing similar market challenges. This was to understand the situation of the khadi institutes in this area from a broader perspective and to validate the findings by cross-checking with employees at other khadi institutes working in similar market conditions.

Exhibit 3.3: Short Fieldwork in the other khadi institutes at Maharashtra			
Step 3	Field Study was conducted	Location	Methodology
1	KI3 (2) - Interview of the secretary	Mumbai	Observations Visits Interviews Individual and Group Discussions Internal documentation
2	KI3 (3) - Visit of the khadi institute, Interview of the Secretary and Discussion with the fashion designers	Ausa	

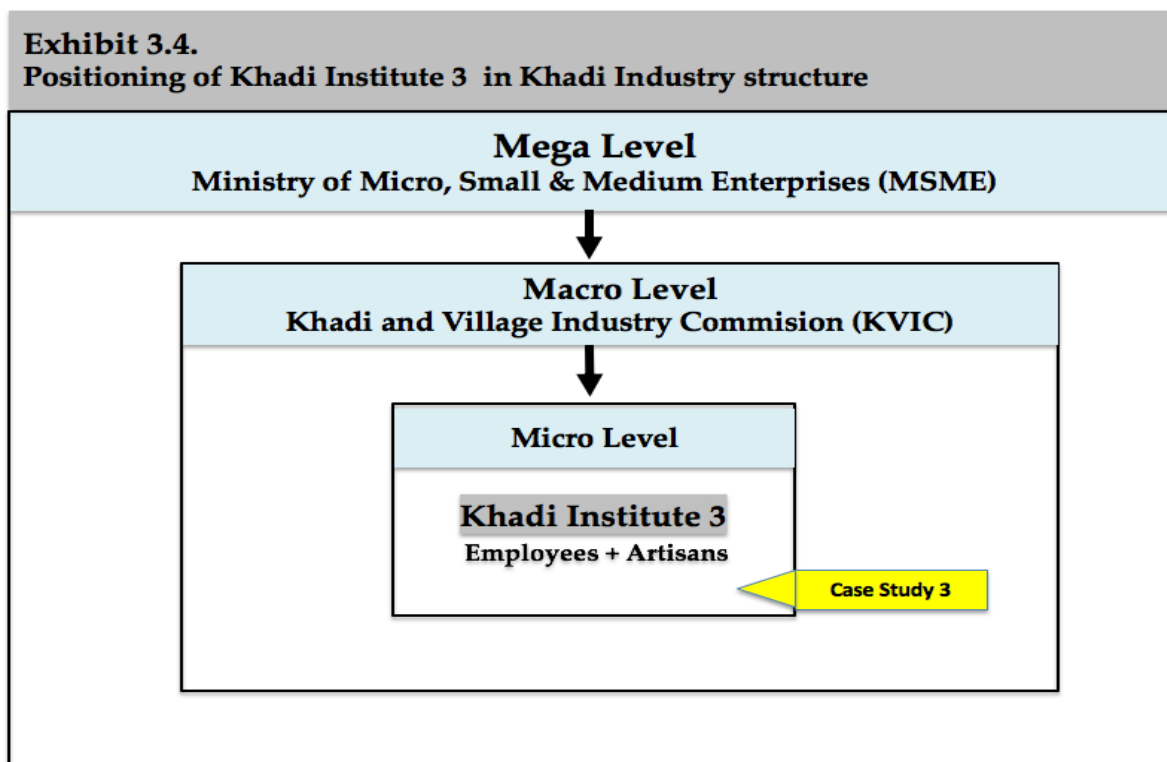
Source: Author; Based on the field study

Lengthy interviews and discussions were conducted with the secretaries of both institutes.

3.1. Case overview

3.1.1. The positioning of Khadi Institute 3 in the khadi industry

The position of khadi Institute 3 (KI3) in the khadi industry structure during the Second Khadi Revival Era (SKRE) is illustrated in Exhibit 3.4.



Source: Author; Based on the information retrieved during the field study.

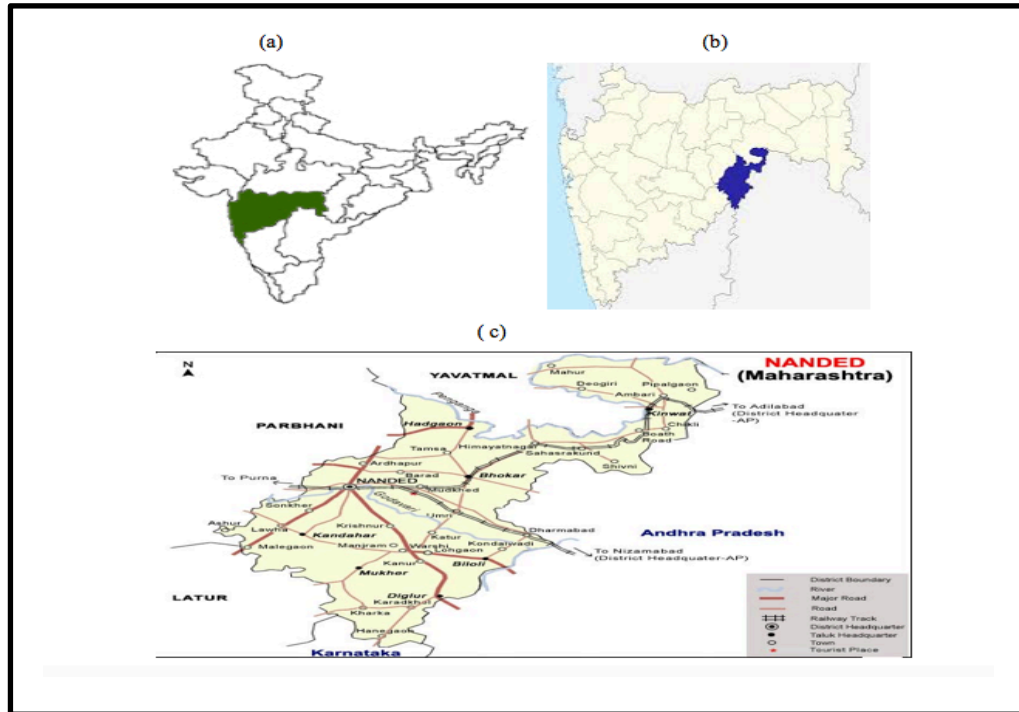
Exhibit 3.4 shows that the khadi industry structure consists of three levels.

(1) Mega level – the Ministry of Small and Medium Enterprises is the topmost in the hierarchy. It has headquarters in Delhi. (2) Macro level - KVIC headquarters are located at Mumbai. The KVIC state office which supervises KI3 is also at Mumbai. (3) Micro level: The main unit of KI3 is located in the Nanded district of Maharashtra state. It has several sub-units located at distant cities of Maharashtra. KI3 is registered by the KVIC State office. However, it must be noted that KI3 is not a Government office. It is registered by the Government office but works independently, like an NGO. It is closely supervised and supported by MSME and KVIC.

3.1.2. Location

Khadi institute 3 (KI3) is situated in the district of Nanded, State of Maharashtra, India.

Exhibit 3.5: Location



Source

(a) India map - <http://www.webindia123.com/maharashtra/index.htm>

(b) Maharashtra map - https://te.wikipedia.org/wiki/नांदेड_जिल्हा (telgu language link)

(c) Nanded map - <http://www.mahasainik.com/Districts/Nanded.aspx>

3.1.3. Ranking

Khadi Institute 3 is ranked according to the KVIC's categorization method. It is ranked first. It has secured A+ level in the list of categorization of khadi and polyvastra institutes affiliated to KVIC in the five-tier grading system.

Exhibit 3.6: Ranking					
Name and Address of the Institute	Marks obtained (self- appraisal)	Marks approved by field office	Marks considered by Central office	Final Grades awarded	Notes
Khadi Institute 3	177	167	167	A+	Highest marks in Maharashtra

Source: Retrieved from the KVIC official website (Categorization)

Note: Categorization method applied for khadi institute selection in the west zone by KVIC Maharashtra.

3.1.4. Historical background

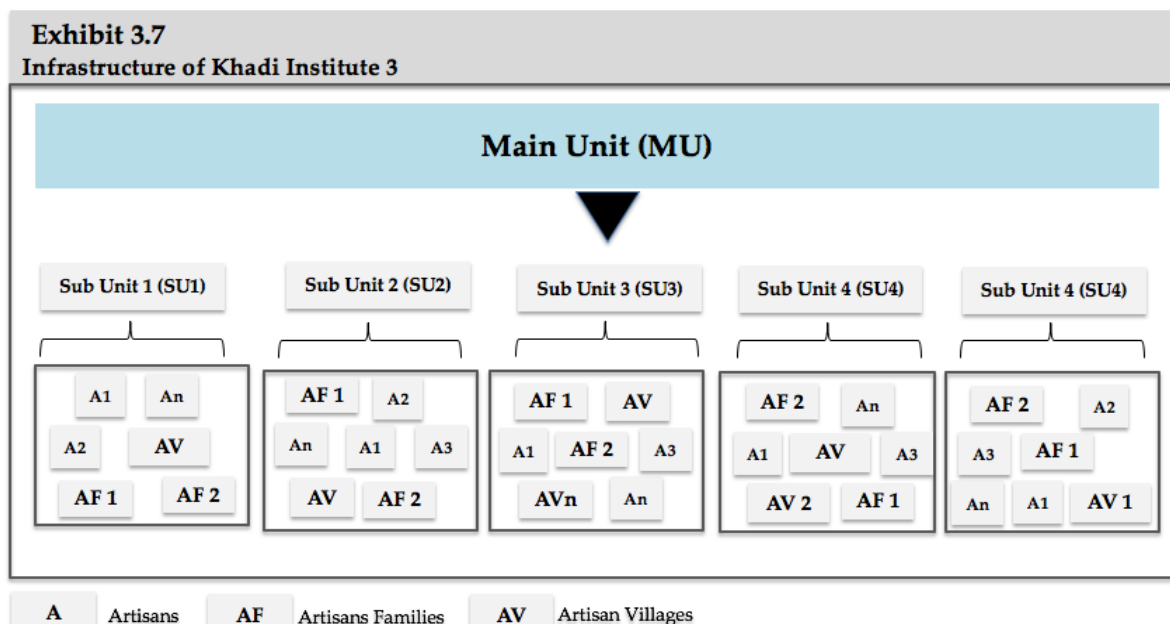
After independence in 1947, several changes took place in India¹³⁹. For instance, in 1925, during the Gandhian Era, a non-governmental organization was formed, the All India Spinners Committee (AISA)¹⁴⁰. In 1955, during the Post-Gandhian Era, it was dissolved, and its responsibilities were taken over by the All India Khadi and Village Industry Board (AIKVIB), which worked directly under the Government of India. This decentralization process took place in all the states in India (Narayan & Murthy, 1989). Subsequently, a board was formed in Maharashtra state in 1967. It was called the Maharashtra Khadi and Village Industries Board (MKVIB). Wherever possible, it clustered several small khadi institutes in the same area and united them to form a larger khadi institute. The Government of India officially registered these khadi institutes. As a result of this exercise in 1967, KI3 was set up in Nanded. It was formed under the leadership of a well-known freedom fighter, Shri Swami Ramanand Tirth, who co-founded it with Shri Govindbhai Shroff. Shri D.G. Bindu was the first chairman of the institute and B.R. Ganjwe was appointed as a first Secretary. Under his leadership, KI3 progressed and earned a powerful reputation in the khadi industry at the national level. (Source: Information retrieved from the MKGS internal documentation; SFURTI report 2007-2008 for MKGS, Nanded). The interesting fact about the founders of this institute is that it was jointly set up by the efforts of two highly influential personalities. One was a saint from a religious background, and another was a politician and freedom fighter.

¹³⁹ For details refer to chapter 5; Post –Gandhian Era (POGE)

¹⁴⁰ All India Spinners Association (AISA) – In the year 1925 AISA for hand spinning and hand weaving was established to provide a separate forum for the development of Khadi (Murthy & Narayana, 1989).

3.1.5. Khadi Institute 3 - Type

Khadi institute 3 (KI3) comes under the category type 1¹⁴¹. KI3 has large infrastructure. It is engaged in the production and services of both khadi and village industry products. It has one main unit and several sub-units which are located in distant cities and villages. The focus of this thesis is on cotton khadi.



Sub units	Village Industry Production Units	Show rooms
(1) Kandhaar	(1) Paathri	(1) Khadi vastragaar, Nanded
(2) Degloor	(2) Pethvandaj	(2) Khadi Bhandaar, Nanded
(3) Ausa	(3) Pitlam	(3) Khadi Bhandaar, Kandhaar
(4) Akkalkot	(4) Yellaready	(4) Khadi Bhandaar, Deglur
(5) Udgeer	(5) Umruga	(5) Khadi Bhandaar, Dhamabad
	(6) Paanchincholi	(6) Khadi Bhandaar, Parbhani
	(7) Muruum	(7) Khadi Bhandaar, Basmat
	(8) Maidgri	(8) Khadi Bhandaar, Selu
	(9) Tolanur	(9) Khadi Bhandaar, Hingoli
	(10) Wagdari	(10) Khadi Bhandaar, Aurangabad (Sarafa)
	(11) Jalkot	(11) Khadi Bhandaar Aurangabad (Sidco)
	(12) Hadolati	(12) Khadi Bhandar Jaalana
	(13) Kingaav	(13) Khadi Bhandaar, Beed
	(14) Rajeshwar	(14) Khadi Bhandaar, Ambajogai
	(15) Ahmedpur	(15) Khadi Bhandaar, Latuur (Hanuman Chawk)
		(16) Khadi Bhandaar, Udgeer
		(17) Khadi Bhandaar (Ausa)
		(18) Khadi Bhandaar (Ahmadpur)
		(19) Khadi Bhandar (Usmanabad)
		(20) Khadi Bhandar (Umruga)

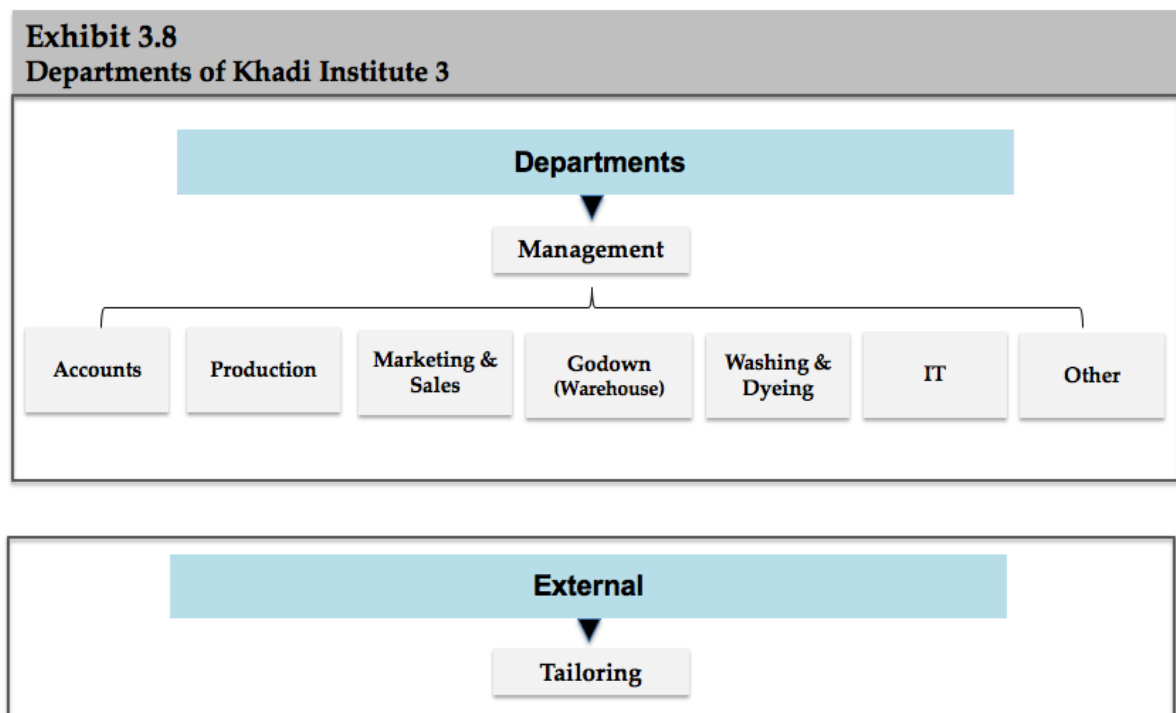
Source: Author; based on information retrieved during the field study from interviews and internal documentation.

¹⁴¹ Khadi Institute (Type 1): In this category are those institutes which have their production. Such institutes produce and sell one or more types of khadi: cotton, silk or wool. Some institutes have large infrastructure and some have small infrastructure (See Chapter 4 of this dissertation for details).

Main Unit of KI3: The main unit of KI3 is located at Nanded district of Maharashtra. In 2014 it had an old building. It was in a process of renovating the old office structure. The main unit contains all the office departments. It has the central godown (warehouse), and all the godowns of the sub-units report to this godown. In the city, KI3 has one showroom, which was renovated recently.

Sub-Units of khadi institute 3: KI3 has five subunits at different locations. This represents a challenge for this institute because its work is scattered at distant places. Each subunit has a work shed and each subunit is also connected with the artisans residing in the nearby villages.

3.1.6. Departments of Khadi Institute 3



Source: Author; Based on the information retrieved during the field study

The main unit of KI3 has the following departments.

Internal Departments

(1) Finance and Accounts Department – The head department is located in the main unit. All the sub-units report to this main office. This department keeps a financial record of both main unit and sub-units. It is also responsible for budgeting. (2) Production Department – Production does not take place in the main unit. Only the office work is done here. Production takes place in the sub-units.

(3) Marketing & Sales Department – This department works directly from the offices built in the khadi showrooms. During the second revival phase, showrooms have been given high importance. They have been completely modernized to attract customers and increase sales. All the Khadi institutes have an old shop or a new showroom. The Government has invested a considerable sum of money in renovating khadi shops during the revival phase. Innovative selling and marketing techniques have been introduced in this department. (4) Godown (Storage) Department - The central godown is located in the main unit. This department handles the storage and maintenance of khadi raw material and finished goods. This team is also in charge of all the godown departments in the subunits. They work closely with the finance and accounting department. The team ensures that the finished products and raw materials can be easily supplied to various locations on demand. This team along with the marketing and sales team is also responsible for trading with other khadi institutes. (5) Washing and Dyeing –There are also some other departments or individuals responsible for various tasks, such as washing and dyeing processes. These departments are located only in sub-units. (6) IT Department - The IT department was set up during the revival phase. A few computers were bought, and one IT person is employed directly by the KVIC. Usage of computer in the office is in an early stage and limited to basic functions. Most of the work is still done manually.

External Departments

Tailoring: This khadi institute is renowned for its tailoring department, which is also the National Flag Unit. All the National Flags of India are officially made here. The person in charge has a special authority and instructions given by the Government of India. KI3 specializes in the production of khadi flags, which is performed in this tailoring department. It is set up right outside the institute. Apart from this department, the institute also deals with several other tailors and fashion designers. In this second revival phase, this external department has gained importance. New and innovative designs attract customers. Therefore, professional tailors and dress designers work together with the khadi institute to develop unique products.

3.1.7. Type of employees and artisans in Khadi Institute 3

Khadi Institute 3 has two types of employees: office employees and field employees. (1) Office employees - Khadi institute offices have several departments, such as accounting, administration, and IT, and each may have a secretary, vice-secretary, and office staff. Such employees are categorized as office employees in this thesis. The store manager and the head of the laboratory are also considered office employees. (2) Field employees: Khadi institute employees who work in the subunits away from the main unit or in the field, such as those in trading and marketing are called field employees. This category also includes employees who are responsible for showrooms and other outlets.

Artisans: There are two categories of artisans in the khadi institute. The first category includes the artisans who work in the KI's sheds.¹⁴² There could be artisans who are independently connected with the institute. They could be based in an artisan village or they could also be a member of an artisan family. Khadi institute employees receive a monthly salary while the artisans receive the wages according to the amount of spinning or weaving, they have done. This exchange goes on throughout the month at regular intervals.

3.1.8. Khadi Institute 3 - Performance

Performance of KI3 from 2004 to 2014 is illustrated in Exhibit 3.9.

Exhibit 3.9: Khadi Institute 3 performance from the 2004-05 to 2012-13				
Years	Production	Sales	Profit	Wages
Unit: Lakh Rupees				
2004-05	101.21	214.86	-	-
2005-06	104.24	225.86	-	-
2006-07	133.11	224.60	-	-
2007-08	152.72	260.02	-	-
2008-09	164.59	310.60	-	-
2009-10	178.10	290.97	-	-
2010-11	177.39	345.66	-	-
2011-12	235.21	397.14	110.51	46.70
2012-13	245.56	396.46	44.92	52.21
2013-14	217.72	426.71	19.17	50.14
Employees - 90; Artisans - 620				

Source: Author; Information retrieved from internal documentation of khadi institute 3

¹⁴² Khadi sheds – Working place for artisans in the institute itself.

Rapid growth and development during the revival phase: During the revival phase, the Khadi and Village Industry Commission introduced the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) scheme to KI3. Under this scheme, 300 charkhas, 50 looms, 1 boiler, 10 machines for readymade garments, and 4 wrapping units were purchased, and 2 weaving sheds and 3 bhandars were renovated. Logo of the institution on each cloth located to the introduction of Dobby system. Spinners, weavers and salesmen were given training, which resulted in a substantial increase in production and sales. KI3 has also organized exposure visits to the personnel. The area of operation and activities of KI3 have increased from its inception, as depicted in Exhibit.

Exhibit 3.10 Indication of development during the revival phase					
Prior SFURTI Production & Sale (Rs. in Lakhs)			After SFURTI Production & Sale (Rs. in Lakhs)		
Year	Production	Sale	Year	Production	Sale
2004-05	101.21	214.86	2008-09	164.59	310.60
2005-06	104.24	225.86	2009-10	178.10	290.97
2006-07	133.11	224.60	2010-11	177.39	345.66
2007-08	152.72	260.02	2011-12	235.21	397.14

Source: Information retrieved from the KI3 internal documentation; SFURTI report 2007-2008 of MKGS, Nanded.

KI3 is engaged in both the khadi and village industry as depicted in Exhibit 3.10. The focus of this thesis is only on the khadi industry. The exhibit indicates the difference between production and sales of KI3 before and after the implementation of the SFURTI scheme, which was established by the Government of India to boost the revival process. Several such efforts began in the Second Khadi Revival Era. However, in this thesis, the analysis is derived mainly through qualitative data. The numbers are shown only to indicate the progress made during the revival phase.

KI3 has replaced spinning wheels and looms under the SFURTI programme. The target of Rs. 275.00 Lakhs is agreed because the institute has 10 units and 166 improved looms. The poly production of Rs. 65.00 Lakhs is agreed, as the institute has 3 units and 30 improved looms. Retail targets have been agreed of Rs. 320.00 lakhs for Khadi and Rs. 65.00 lakhs for Polyvastra, as the institute has renovated 3 Bhandars at Nanded, Latur, and Beed under SFURTI Programme. The machinery of HMPI available under UNDP at Jalghaonmay is transferred to KI3. Excess OPR payment of Rs. 1,18,727.00 for Khadi and Rs. 1,70,456.00 for Polyvastra, total OPR Rs. 2,89,183.00, maybe recovered as suggested by the audit team. Excess OTI payment of Rs. 4,82,541.00 under Khadi and Rs. 12,303.00 under Polyvastra, total OTI Rs. 4,94,844.00, maybe recovered as suggested by the audit team.

3.2. Core elements

The literature review theoretically explained seven core elements: leadership, vision & strategy, harnessing the competence base, organizational intelligence, structures & systems, culture & climate, and management of technology. During this research, the influence of each core element on the dynamic capabilities of five khadi institutes was investigated in detail. The similarities and differences between these core elements were closely studied. Based on the research analysis, it was found that these core elements have played a key role in the revival and success of the khadi institutes during the Second Khadi Revival Era. This segment investigates the influence of each core element on Khadi Institute 3 during the revival phase.

Core Element 1 – Leadership

The Advisory Committee plays an important role. Its members are mostly 90 years old but still very active. The secretary is from a political background. His influential position supports KI3. (Source: Qualitative data mainly retrieved from the interview with the secretary, and from interviews and discussions with other staff members who had the experience of working under both leaders).

Core Element 2 – Vision & Strategy

The combined vision of the institute is to increase sales by increasing new products and variety and by increasing the number of trained and efficient staff.

Core Element 3 – Harnessing the competence base

Four points will be discussed about harnessing the competence base of Khadi Institute 3: resource management, variety of funding channels, business relationships and networking, and marketing and sales.

Resource Management

Three kinds of resources are discussed in this dissertation; human resources, financial resources, and raw material.

(1) Human Resources: KI3 has two kinds of human resources, khadi employees and artisans. There is a massive number of employees working in the various sub-units. This is because KI3 has a monopoly in this area. Maharashtra is a large state and is further divided into several divisions. In this particular division, KI3 is the only registered khadi institute. Its work is massive. (2) Financial resources: It has several financial resources, including revenue from the sale of khadi products and village industry products, support from traders, products that are bought or sold without money for a fixed time (just like a loan), and Government and private funding. (3) Raw material: The raw material is only allowed to be bought from KVIC yarns. This causes several problems, such as delays. To avoid these problems, sometimes this raw material is bought from traders. The institute purchases silver from CSPs and raw material from the open market. The institute has formed a purchase committee. The institute advises the state office in Maharashtra when the purchase committee is meeting so that a representative of the state office can be present.

Variety of funding channels

(1) Support from Meso and Macro Level: Apart from their regular work and assistance, these higher levels also try to support the khadi institutes by offering diverse other help. For instance, several types of free training programmes are available to the khadi institutes for employees and artisans, as well as funded schemes and projects at regular intervals. On several occasions, KI3 has made efficient use of these programmes. In 2007, the KVIC introduced the SFURTI scheme in KI3, as discussed above.

Difficulties of khadi institutes in fully using these resources: Numerous reports published by all the three levels support the observation that opportunities are provided at regular intervals. However, the nature of many of these opportunities is so complex that several institutes do not have skilled employees to handle their complex nature and thus simply ignore them. The problems expressed by the other institute secretaries included tedious paperwork, difficulty in communication, and overall difficult relationship with the officials at higher levels, and difficulty in obtaining allotted funds on time. For example, KI3's Marketing Development Assistant reported that payment from KVIC Rupees 1 lakhs under Khadi and Rs. 6.80 Lakhs Polyvastra for the year 2012-13 was still pending in 2015.

(2) Village Industry (VI) Products: KI3 is one of the most successful khadi institutes in Maharashtra according to the categorization report developed by the Khadi and Village Industry Commission. But it has faced several challenges to operating on its own. It was difficult for KI3 to survive and to earn a competitive advantage under volatile market conditions solely with the revenue generated by the sale of khadi products. Therefore, just like other institutes, a strategy was adopted by KI3's leaders to support the khadi industry's ongoing work. A portion of the revenue earned by the sale of village industry (VI) products and services were used on several occasions to support the khadi industry. Therefore, village industry also plays an important supporting role.

(3) External Support: KI3 has also benefitted from the support given by influential people in politics. Some of its employees have strong political connections. It also receives support from the influential people within the community. These include businessmen, politicians, social workers, freedom fighters, and media people. Some of these influential people are also members of its advisory committee.

(4) Trading: It was found that the khadi industry work at KI3 is successful; it is one of the most successful khadi institutes in Maharashtra. It is also highly active in trading. Buying and selling from other khadi institutes is a part of its work routine. It specializes in certain khadi products such as products made of thick khadi (dari, paydaan; door mats, carpets, etc). It is famous for its traditional cotton khadi products.

Exhibit 3.11. Indication of development during the revival phase				
SFURTI: Details of Utilized Funds				
	Particulars	N.A.	I.A.	Activity
1	Replacement of Charkhas	34.45	12.50	300 Spinning Wheels 50 Looms
2	Common Facility Center	11.25	03.75	01 Boiler 01 Readymade Garment Unit 02 Weaving Shed Renovated 04 Toilet Renovated 04 Wrapping Unit
3	Product Development Design	02.44	00.58	
4	Market Promotional Assistant	15.00	-	
5	Capacity Building Measures	09.92	-	
6	Implementing Agency	07.48	-	
7	Cluster Development Executive	04.37	-	
8	Technical Agency	03.00	-	
	Total	87.91	16.83	

Source: Khadi institute 3 internal documentation

Business relationships and Networking

Khadi institute 3 has strong relationships with (1) With MGIRI (research & training centre), (2) NIFT (Fashion and designing), (3) politicians.

Marketing & Sales

KI3's khadi showrooms were modernized, new showrooms are being opened, and new fashion products and designs are presented using dummies outside the showroom.

Core Element 4 – Organizational Intelligence

Learning about the customers

This takes place through media and networking and word of mouth. Target customers are those who are interested in buying modern khadi products, particularly poly khadi.

Learning about the competitors

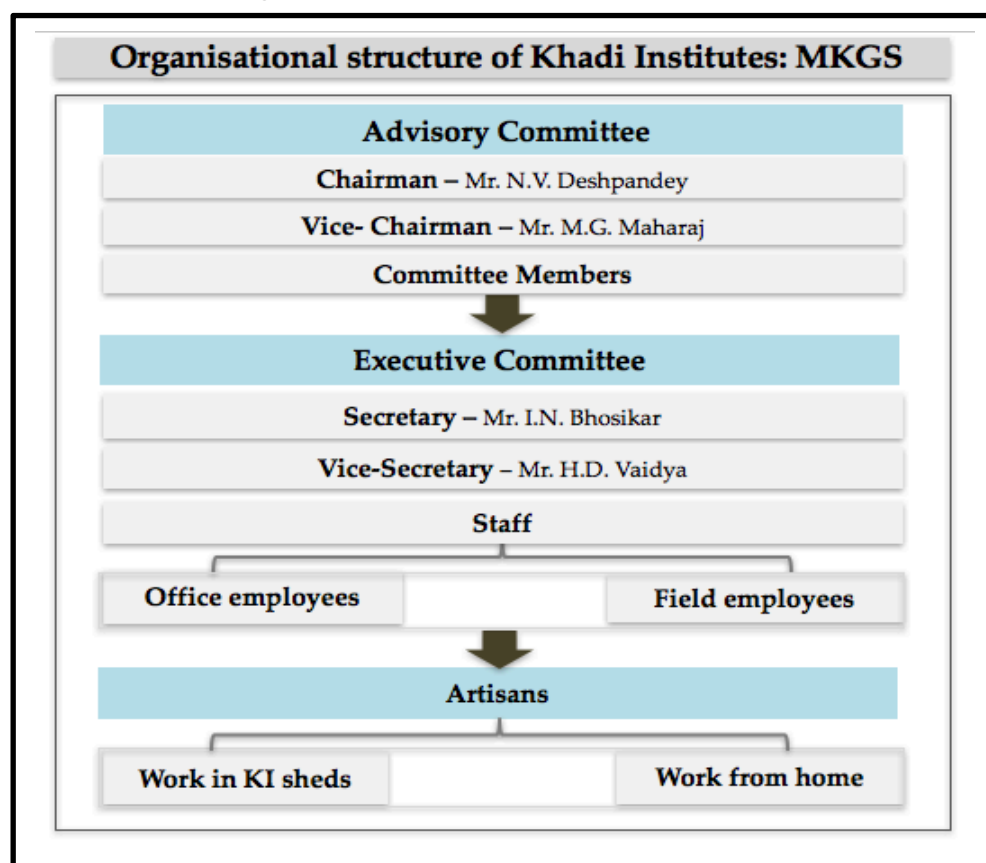
Learning about the competitors is from word of mouth because people are closely connected in the khadi circle.

Core Element 5 – Structure and Systems

Structure and systems of khadi institute 3 can be divided into two parts: (1) organizational structure and (2) reward systems.

Organizational Structure

The organizational structure of Khadi Institute 3 (KI3) has three main levels: Advisory Committee, (2) Executive Committee, and (3) artisans and artisan families. This structure follows the general organizational structure developed for the khadi institutes by KVIC in the Second Khadi Revival Era (SKRE).

Exhibit 3.12: Organizational Structure of Khadi Institute 3

Source: Author; based on field research in 2014

Note: Organizational structure has not changed since then.

Level 1: Advisory Committee

The Advisory Committee is the uppermost level. KI3's current Advisory Committee consists of several members from diverse backgrounds. The formula for the composition of such boards is given at the higher meso level (Khadi and Village Industry Commission) and macro level (Ministry of Micro, Small and Medium size Enterprises). The Advisory Committee meets every three months.

Exhibit 3.13			
Khadi Institute 3 Advisory Committee			
Advisory Committee Members		Position	Profession
1.	Mr. Nagorao Vithalrao Deshpandey	Chairman	Lecturer
2.	Mr. Vasant Sambhajirav Nagde	Vice Chairman (since June 2017)	Social Worker Owner of the cooperative bank
3.	Mr. Ishwarrao Narayanrao Bhosikar	Secretary	MKGS employee
4.	Mr. Rajeshwar Kashinath Swami	Member	MKGS employee
6.	Dr. Hansraj Dadarao Vaidh	Member	Doctor
7.	Mr. Dinkarrao Shrinivasrao Borikar	Member	Education
8.	Mr. Krishibhushan Bhadivalappa Sidramappa Utge	Member	Farmer (Senior Citizen)
9.	Mr. Babasaheb Panditrao Charathankar	Member	Retired Librarian (Senior Citizen)
10.	Mr. Digambar Kishanrao Deshmukh	Member	Ex-Member of Legislative Assembly (Senior Citizen)
11.	Mr. Suresh Bajirao Kulkarni	Member	Retired Lecturer (Senior Citizen)
12.	Mr. Shivsanmb Shivrajappa Chawandaa	Member	Retired advocate (Senior Citizen)
13.	Mr. Chandrakant Ramlingappa Kapse	Member	
14.	Mrs. Shakuntla Solanku	Member (since June 2017)	MKGS employee
15.	Mr. Raghunath Podar	Member (since June 2017)	MKGS employee
16.	Mr. Mahabaleshwar Mathpati	Member (since June 2017)	MKGS employee

Source: Information retrieved from the KI3's internal documentation -Varshil Ahalwaal (Annual Report - 2010-2011)

It is headed by the chairman, Mr. Nagorav Vithalrav Deshpandey. The secretary of the Executive Team, Mr. Ishwarrav Narayanrav Bhosikar, is also a member of the Advisory Committee. Other members include a mix of institute employees, artisans, and influential people from the community who support the institutes.

Level 2: Executive Team

The Executive Team is the second level. It consists only of paid employees. As Exhibit 3.13 shows, the current Executive Team is headed by the Secretary, Mr. I.N. Bhosikar. Next to him is the vice-secretary, Mr. Hansraj Dadarav Vaid. Both of them are also members of the Advisory Committee.

Level 3: Artisan Families (AFs) and Artisans

Artisans and artisan families are at the third level. They are not considered full-time employees of the institute. At the khadi institute 3 (KI3), artisans either work from home or in the work sheds of the main unit or sub-units. Wages are paid either hourly or in exchange for the finished or semi-finished khadi products.

Reward Systems

KI3 supports its employees and artisans regularly. It does not have a specific reward system internally. Most of the rewards to its employees or artisans are given by the KVIC if they are selected at the national level.

Core Element 6 – Culture & Climate

During the revival phase, the KI3 benefitted from the revival schemes of the KVIC. It has indeed developed and grown. There was a slow change in the culture and climate of KI3 during revival phase. Traditional khadi culture was given a new direction by keeping the old values intact. Leaders encouraged the use of technology, people from outside the KI area were connected, new tools were brought, and new technologies were integrated.

Empowered employees

This is important for the institute as well as for the employees' overall growth. All the artisans of the institute are insured by the Janshree insurance premium. KI3 provides a 12% welfare fund in addition to their normal wages. KI3 supports the artisans in saving their money in a welfare trust. Artisans can take out the money whenever they need it. With the support of the KVIC, institute work sheds were constructed for 42 artisans. Under SFURTI scheme, 576 employees are covered under Janshree Bima Yojana, and 601 bank pass books, 619 identity cards, and 252 spectacles have been issued to artisans. Recently, KI3 was granted ISO 9001:2008 Certification. Additionally, out of 667 registered artisans, the has 561 number of artisans covered under Janshree Beema Yojana in the age group of 18-59 years. In all, 603 Artisans have a post office or bank accounts.

Exhibit 3.14**Empowerment of employees during the revival phase**

Particulars	N.A.	Activity
SFURTI Capacity Building Measures	09.92	Sleavdge Created to 20 Looms 03 Outlets Renovated 698 Trained Artisans Spinners (370); Weavers (189) Readymade Garments (10) Marketing (31) Dying (10) Achievement & moti. (78) Master Spinner & Weavers training (10) Health Camp (3) - Kandhar, Ausa & Udgeer
Jan Shree Bima Yojna		576
I-Card		619
Bank Passbook		601
Spectacles		252

Source: Author; Information retrieved from KI3 internal documentation

Knowledge sharing

In this institute, training is provided at regular intervals. There is a strong culture of knowledge sharing. Knowledge is easily shared between the subunits and main units. Lots of people are trained in the subunits, so the flow of information and knowledge sharing is quite open.

Communication

The media used for communication in KI3 are telephones, mobile phones, and fax machines. Recently they have started using e-mails for communication and applications like WhatsApp for fast communication. More often they rely on calling each other often on mobile phones. The Advisory Committee meets every 3 months and the management meeting takes place monthly. Other regular meetings also take place often. There is no communication gap between the employees or the artisans in KI3. However, whether the information flow is accurate between the sub-units and the main unit is a problem of concern.

Core Element 7 – Management of Technology

In KI3 the use of technology is new. During the revival phase, they have started using bar codes on all the products. The use of technology for communication is limited. Although new computers were given to the institute during the revival development schemes, the institute employees are not trained to use this technology. There is a lot of hesitation in using this technology.

3.3. Dynamic Capabilities & Role of innovation

3.3.1. Sensing

To understand sensing as an innovative dynamic capability in Khadi Institute 3 (KI3), it has been divided into three parts: processes to direct internal R&D, processes to tap supplier and complement innovation, and processes to identify target market segments and changing customer need.

Processes to direct internal R&D and select new technologies

During the revival phase, the processes to direct internal R&D have been highly influential in pushing the institute towards success. KI3 has worked regularly to strengthen its internal R&D.

Internal Research & Development tools: During the revival phase KI3 was able to strengthen its internal research and development tools. For example, when SFURTI scheme was introduced in 2007. Under this scheme 300 charkhas, 50 looms, 01 boiler, 10 machines for ready-made garments, 04 wrapping unit was purchased. An enormous amount of internal research was done during this time to make use of the available resources.

Cooperation with institutions and university: Khadi Institute 3 has always been highly active in engaging with other organizations. It always had strong political connections. For example, the secretary of the institute and his daughter-in-law was a member of the ruling political party (the year 2016). During the revival phase, KI3 has also strengthened its ties with banks. It has also encouraged research work on its campus.

Collecting information: Means of collecting information is similar to khadi institute 1 & 2.

Regular meetings: Just like other khadi institutes. Khadi institute 3 (KI3) also organizes meetings in two styles, formal and informal. Formal meetings are conducted according to an official guideline circulated by the macro and mega levels. This style is used at regular meetings of the Advisory Board every three months and at the regular monthly meetings of the Executive Committee. There are also official meetings conducted by the KVIC and MSME according to the internal agenda. Informal meetings are one of the most important routines that have contributed to the success of the institute.

The informal discussions and meeting are held on a daily or even hourly basis. This keeps all the members of the institute well informed, decisions are made quickly, and there is far less delay between decision making and execution, at least in small matters.

Recording: In the formal meetings, handwritten notes are taken which are later converted into internal reports and are sent to the higher levels or circulated in the office. In the informal meetings, handwritten notes are taken, and in most cases, the action is taken immediately or shortly afterwards. The institute avoids delays as much as possible.

Processes to tap developments in exogenous science and technology

KI3 has participated in numerous national and international fairs and exhibitions.

Processes to identify target market segments, changing customer needs and customer innovation

Regular meetings are held with designers about new trends, customer feedback, and internet use. Regular market research is conducted by KI3's team, and special market research is commissioned abroad. Managers are committed to manipulating all existing resources to create new market needs. Market research and customer surveys, trade fairs, fashion, cooperation with famous designers, relevant events. Regular market research, questionnaires, complaint management and personal contacts are all conducted at the annual in-house conferences and seminars. CSR culture award the contribution of everyone that has been actively involved in the development of the company. Monthly cooperation with stakeholders (e.g. monthly report of corporate shops all over the world). Regular connection NIFT (Fashion and designing).

3.3.2. Seizing

To understand seizing as an innovative dynamic capability in Khadi Institute 3 (KI3), it has been further divided into four parts: delineating the customer solution and the business model, selecting decision-making protocols, selecting enterprise boundaries to manage complements and control platforms, and building loyalty and commitment.

Delineating the customer solution and the business model

During the revival phase, the KI3 focused on understanding the needs of their customers and based on this information they have tried to make changes in their business model. Earlier this institute specialised in producing and selling the traditional clothes made from khadi. These products are generally bought by regular elderly customers.

But during the revival phase, they have taken the initiative to change their business model. Now the institute is producing products according to the customer demands. Traditional khadi products are now limited to dhotis,¹⁴³ towels, undershirts and underclothes. KI3 has significantly increased the variety of their products which could attract the youth. For this purpose, designers are hired. New selective designs, colours, style, and quality are chosen. Currently, the most popular products for Indian customers are designer coats, shirts, pants, and salwars which are made popular by the models during the ramp shows.

Selecting decision –making protocols

During the revival phase, the decisions were taken rapidly. In KI3, they also adopted the pattern of taking quick decisions. In this institute, the Advisory Board mostly takes the decisions.

Selecting institute boundaries to manage complements and control platforms

KI4's geographical boundaries are already spread out. During the revival phase, KI4 has sought solutions to centralize its work more and limit its geographical boundaries. It must be noted that the institute wants to increase sales and extend its boundaries to national and international markets. But it is trying to limit its working area.

¹⁴³ Dhoti - It is an Indian traditional garment worn by a male, mainly in rural areas.

Building loyalty and commitment

Loyalty and commitment are the most important strengths of KI4. And this institute has a monopoly in this area. Employees and artisans have been connected with it for a long time.

3.3.3. Reconfiguration

To understand reconfiguration as an innovative dynamic capability in Khadi Institute 3 (KI3), it has been further divided into three parts: achieving decentralization and near decomposability, managing co-specialization, and knowledge management.

Achieving decentralization and near decomposability

The work at KI3 is decentralized. It has several subunits which work like independent entities. They report regularly to the main unit. There are also some challenges because of decentralization and long distances. It is difficult to keep a check on all the subunits. Employees at some subunits are not supervised properly. Therefore, KI3 is currently seeking solutions for this increasing problem during the revival phase.

Governance

In KI3, governance is slowly becoming an issue. The Advisory Committee consists of elderly members (aged >85). They intervene closely in the work done by the Executive Committee. Because of a substantial gap in working practices and thinking, the employees are challenged every day. Like all other institutes, they also deal with the challenges related to the laborious government procedures applied by the KVIC and MSME. The paperwork is too much, and the payments are often delayed. Several rules made for the benefit of the institute are not in the favour of the institute (reported by all the KI3 employees).

Managing co-specialization

KI3 is well known for managing co-specialization in both khadi and village industry products. In fact, at several times the revenue earned from village industries has supported the khadi industry products. During the field study, it was observed that this institute has several workshops in its different units in which not only production work takes place but professional training is also given to new employees and other trainees.

Knowledge Management

As with the other khadi institutes, the reports of all the meetings of the Advisory Committee are regularly formulated and sent to the KVIC. Several records related to accounting and finance are prepared by the institute regularly. For every khadi industry development scheme, a detailed report is made which is shared with all the levels of khadi industry (MSME, KVIC and khadi institutes). There are several visits by KVIC officers to the institute and vice versa. KI3 still needs to formulate a common knowledge bank; currently, the information is too scattered. Although work is conducted efficiently, it is difficult to rely on written records and also difficult to understand them.

Documentation is not been made with organizational structure and working in mind. It was a challenge to find the information required to characterize KI3 for this thesis. A lot of information was retrieved from the interviews, discussions, or observations.

Case 4

Khadi Institute 4

(Located in the state of Uttar Pradesh)

This case study was developed by the author based on her fieldwork in three phases between 2012 and 2014 and followed by desk work and regular phone conversations with the interviewees between 2015 and 2019. Phase 1 and 2 are explained in the introduction of Annexure 1. Phase 3 described in this section will focus only on the status of the low-tech khadi institutes in the state of Uttar Pradesh.

Exhibit 4.1: Field Study in the state of Uttar Pradesh (2014)		
Steps	Field Study	Location
Step 1	Visit to the State KVIC office	Lucknow
Step 2	<ul style="list-style-type: none"> - Intensive field study at the selected khadi institute 5 (KI5) - Visit of the Artisan village <p><u>Additional</u> Interview of the Traders from other institute visits</p>	Fatehpur
Step 3	Brief field study was also conducted in two more khadi institutes located in the same area for case validation	Fatehpur and Kanpur

Source: Author

Step 1: Visit the State KVIC office located at the Lucknow district

At the state KVIC office in Lucknow, a lengthy interview and discussion were held with the Director. This was followed by a group discussion with three more staff members in the Director's office. Through this exercise, the author was able to gain an understanding of the khadi industry's structure and workings, of the status of the khadi institutes in the state of Uttar Pradesh, the relationship between the khadi institutes and the KVIC and the reason of the success of Khadi Institute 2 from the KVIC official's perspective. The interviewees also shared information about other khadi institutes that were doing outstanding work. But since the re-categorization was still under discussion, these institutes are still ranked in the low categories.

Step 2: Intensive field study at Khadi Institute 4 (KI4)

The author conducted an intensive field study in Khadi Institute 4.

Exhibit 4.2: Intensive Fieldwork in the selected Khadi Institute 4			
Step 2	Field Study was conducted	Location	Methodology
1	at the Main Unit (MU)	Fatehpur	Observations Visits Interviews Individual and Group Discussions Internal documentation
2	at the Sub-Unit (SU) in the Artisan Village		

Source: Author; Based on the field study

In this step, an intensive field study was conducted in KI4. As shown in Exhibit 4.2 qualitative data was collected using diverse methods, observations, multiple visits to the main unit and sub-units, lengthy discussions, interviews, and study of the internal documentation. The interviews and discussions were conducted in the local languages, Hindi. Some of the internal documentation shared by the khadi institute employees was in both Hindi and English, but mainly in Hindi. Multiple visits were made to all the departments and showrooms.

Step 3: Brief field study was also conducted in two more khadi institutes

The author conducted an intensive field study at KI4. A brief field study was also conducted in two additional khadi institutes located in the same region and facing similar market challenges. This was to understand the situation of the khadi institutes in this area from a broader perspective and to validate the findings by cross-checking with employees at other khadi institutes working in similar market conditions.

Exhibit 4.3: Short Fieldwork in the other khadi institutes at Uttarpradesh			
Step 3	Field Study was conducted	Location	Methodology
1	KI4 (2) - Interview of the secretary	Fatehpur	Observations Visits Interviews Individual and Group Discussions Internal documentation
2	KI4 (3) - Visit of the khadi institute, Interview of the Secretary and Discussion with the fashion designers	Kanpur	

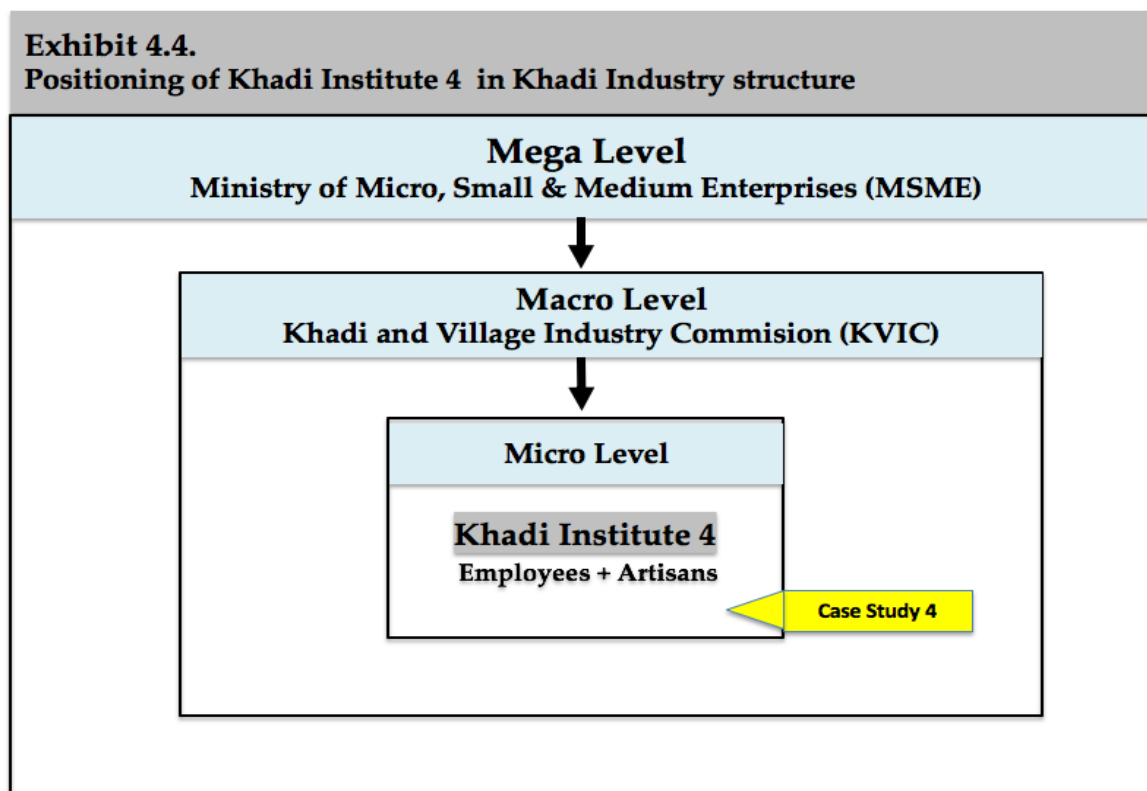
Source: Author; Based on the field study

Lengthy interviews and discussions were conducted with the secretaries of two more institutes based in the same area.

4.1. Case overview

4.1.1. The positioning of Khadi Institute 4 in khadi industry

The positioning of Khadi Institute 4 (KI4) in the khadi industry structure during the second khadi revival Era (SKRE) is illustrated in Exhibit 4.4.



Source: Author - Information based on the qualitative data collection during field study.

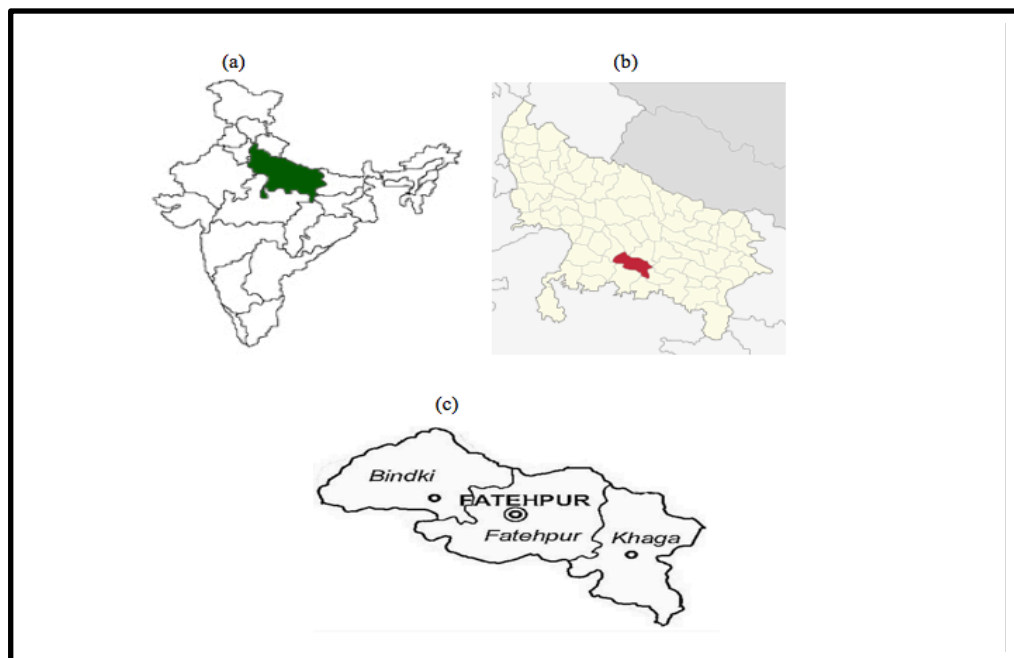
As shown in Exhibit 4.4, khadi industry consists of three levels.

(1) Mega level – the Ministry of Small and Medium Enterprises is the topmost in the hierarchy. It has headquarters in Delhi. (2) Macro level - KVIC headquarters are located at Mumbai. The KVIC state office which supervises KI4 is located in Lucknow District of Uttar Pradesh State. (3) Micro level: KI4 is located in the Fatehpur district of Uttar Pradesh, as illustrated in the map (Exhibit 4.5). KI4 is registered at the KVIC state office. However, it must be noted that KI4 is not a Government office. It is registered by the Government office but works independently, like an NGO. It is closely supervised and supported by MSME and KVIC.

4.1.2. Location

Khadi Institute 4 (KI4), is situated in the district of Fatehpur, State of Uttar Pradesh, India.

Exhibit 4.5: Location



Source

(a) India map - <http://www.webindia123.com/fatehpur/index.htm>

(b) Fatehpur map - https://en.wikipedia.org/wiki/Fatehpur_district

(c) Fatehpur map - http://dcmsme.gov.in/dips/DIPR_Fatehpur.pdf

4.1.2. Ranking

Khadi Institute 3 is ranked according to the KVIC's categorization method. It is ranked first. It has secured A+ level in the list of categorization of khadi and polyvastra institutes affiliated to KVIC in the five-tier grading system.

Exhibit 4.6: Ranking						
	Name and Address of the Institute	Marks obtained (self-appraisal)	Marks approved by field office	Marks considered by Central office	Final Grades awarded	Notes
	Khadi Institute 4	-	165	165	A+	Highest marks in Uttar Pradesh

Source: Information retrieved from the KVIC official website (Categorization method spreadsheets)

Note: Categorization method applied for khadi institute selection in the north zone by KVIC Rajasthan. A+ level List of categorization of khadi and polyvastra institutes affiliated to KVIC with effect from 01.04.2004 under five-tier grading system.

Note: Categorization method applied for khadi institute selection in a west zone by KVIC Uttar Pradesh.

4.1.4. Historical background and expansion

Khadi Institute 4 (KI4) was set up in 1961 in the Fatehpur district of Uttar Pradesh. It was formed under the leadership of a well-known freedom fighter, Shri Ramsumeru Bhai. He was also known as Baba Ramsumeru Bhai. The institute name was officially registered in 1961. (Source: Information retrieved from GSS internal documentation titled *Gram Seva Sansthan ka Sankshipt parichay* and interview with the Institute's chairman). The business history of KI4 from the day of its official formation may be divided into four stages: stage 1 (1961-1981), stage 2 (1984-2002), stage 3 (2003-2005), and stage 4 (2006-2017).

Stage 1 (1961-1983): The founder of the institute was a native resident of Fatehpur city. After gaining several years of experience working for another khadi institute in Kanpur, Uttar Pradesh called Swaraj Rachnatmak Samiti, he decided to set up another khadi institute in his native city. Founding the institute was challenging in the beginning, but later its development was rapid. During 1981, the institute had to pass through a challenging phase. For six months, khadi production and sale at the khadi institute completely stopped. The reason was that the KVIC strongly objected to the name of the institute. Its original name was *Gram Seva Sangh*. The objection raised by KVIC was related to the name of the institute. According to KVIC, *Sangh*, a Hindi word which means a group of several institutes. The KVIC objected that this institute was only one, so it could not have to use the term *sangh* in its name. However, the institute chairman and his team did not want to change the name. Because it was given by their founder, it had some history, and reputational value and sentimental value too. After several heated discussions and correspondence between the officers of the KVIC (macro level) and the chairman of the khadi institute (micro level), it was finally decided that the name of the institute would be changed. The institute's work stopped completely for six months during the renaming and reregistration process. The institute had to suffer major loss and difficulties during this phase. Employees and artisans were seriously affected. However, thanks to strong leadership, the institute regained its position rapidly. In 1984, the chairman expired, and a new chairman was appointed.

Stage 2 (1984-2003): The institutes continued to be managed well, but due to the change in leadership, the rapid developments and progress of the previous era slowed.

Stage 3 (2003-2005): During this stage, the leadership was changed again. The advisory committee decided to promote the secretary¹⁴⁴ to the position of chairman, and one of the institute's employees¹⁴⁵ was appointed secretary of the institute. This change in leadership positively influenced the performance of the institute, and during these two years, the institute performance was maintained.

Stage 4 (2006-to date): During this phase, the leadership changed again. The chairman had to retire due to health problems. The advisory committee decided to promote the secretary¹⁴⁶ to the position of chairman, and one of the institute's employees,¹⁴⁷ who was also the son of the previous chairman, was appointed as the secretary of the institute. Because of this change in leadership, the institute regained its momentum of rapid development.

(Source: Information in this section is retrieved from the interview of the chairman and secretary)

4.1.5. Khadi Institute 4 - Type

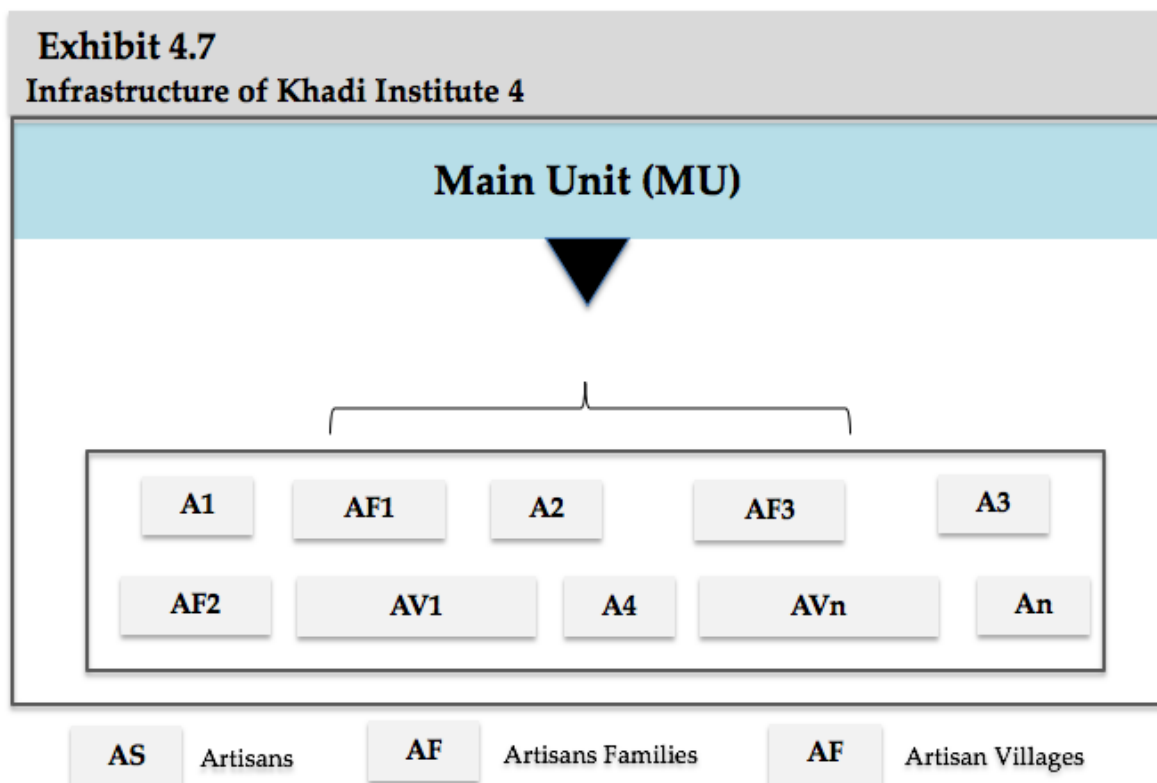
Khadi Institute 4 (KI4) comes under the category type 2. As mentioned earlier (Chapter 4), this category includes those institutes that do not have their own production or that produce low quantities. Such institutes are engaged in trading raw material, finished products, and even services with other khadi institutes. KI4 does not have any sub-unit. Its main unit is in Fatehpur. Along with all the other departments, it also has a workshed and showroom in the main unit. It is engaged in trading khadi cotton products. It is engaged in less production work than KI1, KI2, or KI3. Artisans work either at the workshed in the institute or from home. Some villages are strongly engaged with work for the institute. KI4 has moderate infrastructure. It is engaged in the production and services of both the khadi and village industry. The focus of this thesis is on cotton khadi. This institute has some unique characteristics which are explained in this subsection.

¹⁴⁴ Mr. Ramlal Singh (current chairman –head of the advisory board)

¹⁴⁵ Mr. Mevaram Katiyar (current secretary; head of the executive committee)

¹⁴⁶ Mr. Mevaram Katiyar (current chairman –head of the advisory board)

¹⁴⁷ Mr. Satendra Singh (current secretary; head of the executive committee)



Source: Author; based on information retrieved during the field study

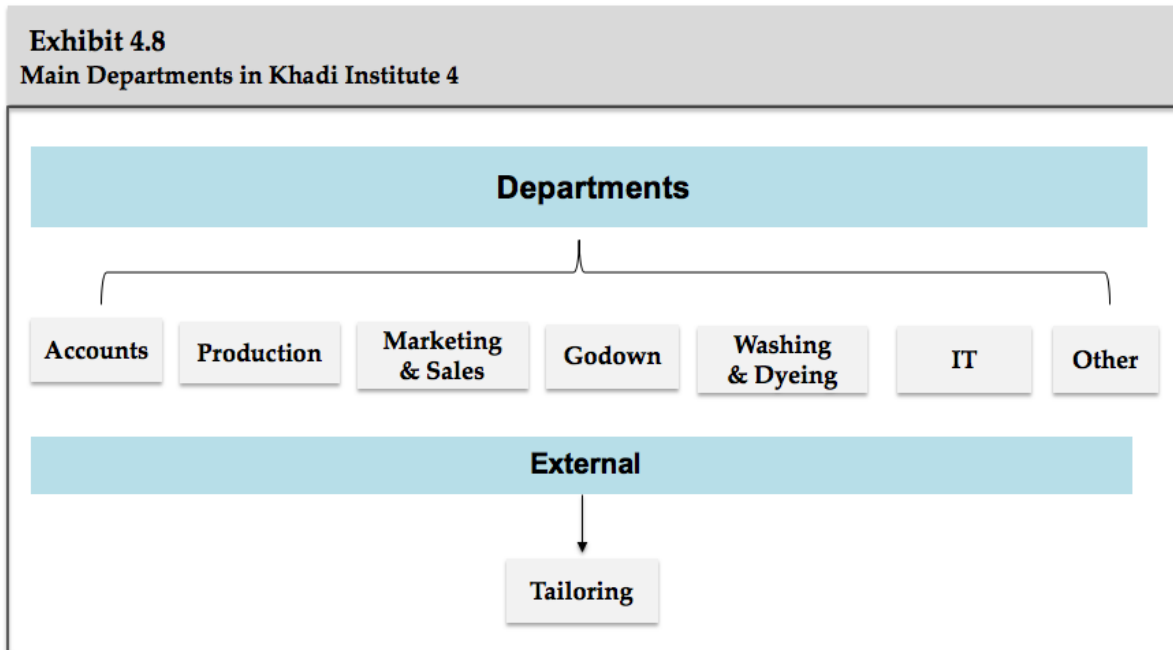
Exhibit 4.7 shows that the main unit (MU) of KI4 is the brain of the khadi institute, and all the departments are located here. The main unit is located at the Fatehpur district of Uttar Pradesh. KI4 is established on campus in the centre of the city of Fatehpur. This campus is divided into four parts. The first part consists of the khadi institute offices, storeroom, artisan workshed, and a khadi showroom. The second part is the tailoring shop. The third part is a meditation and meeting room which looks like a veranda or a modern-day terrace. The fourth part is a building in which most of the employees and their families live. This building also has a small canteen. Home-cooked meal services are available for residents and visitors.

Artisans, Artisan Families and Artisan Villages

The area of operation and activities of KI4 have increased from its inception. Now it has a main production centre, a spinning and weaving centre, a showroom, a retail centre, and the main godown. These are located on the campus of the main centre at Fatehpur. It has 15 sale depots in various locations: Fatehpur, Bindki, Khaga, Amoli, Jhanabad, Asothar, Bahua, Muttar, Banda, Atarra, Chitrkut, Mau, Baripal, Kanpur, Jalore, and Aurraiya. Around 250 spinners working in different areas: Fatehpur (100), Jahanabad (22), Amoli (10), Baripal (10), and Bilanda and nearby areas (150). Around 40 weavers are working in different areas: Muradabad (17-18), Gausanj (10), and Mahoba (7-8). During the revival phase, the area of operation, facilities, and resources of the KI4 increased substantially.

At regular intervals, KI4 employees visit these villages. The supplies of raw material such as cotton and the collection of the semi-finished khadi products such as threads made from cotton or woven khadi cloth are delivered and collected from the artisan villages. The artisan receives money in exchange for their labour. Their monthly accounting reports are submitted to the account department at the head office. Additionally, technicians are sent by the institute at regular intervals to repair their spinning or weaving machines. Regular visits by the chairman and the employees are also made quite often. Several artisans, mainly weavers, are also spread across Uttar Pradesh. They come on their own to the institute whenever they have a shortage of raw material or their work is finished.

4.1.6. Departments of Khadi Institute 4



Source: Author; Based on the information retrieved during the field study

KI4 has seven internal departments and one external department. Each of these is explained below.

Internal Departments

Management – In common with other khadi institutes, KI4 has three main levels: advisory board, executive committee, and artisan families. Important management decisions are taken by the executive committee after the approval of the advisory board. In most of the khadi institutes, the main leadership at the executive level is provided by the secretary. But in KI4, the chairman acts as the main leader at both advisory and executive level. The secretary and other staff support the chairman.

- (1) Accounts: This department is considered one of the most important departments of the institute. All the financial transactions are recorded with the utmost care. It includes all the activities related to buying and selling, trading with other institutes, and paying the artisans.
- (2) Production: At KI4, khadi production takes place in two locations. Firstly, the artisans' workshed in the main campus is mainly used for spinning. Secondly, part of the production work is also conducted by the artisans, mainly spinners, from home. KI4 production work takes place mainly in three villages where the majority of the spinners live.

These artisans' villages are close to Fatehpur city, where the main centre is located. KI4 has collection and distribution points¹⁴⁸ at each of these villages. The artisans live in proximity, which enables them to take care of their families, particularly children and senior members of the family, and animals. They can also work their agricultural land or do some other part-time work from home, such as sewing. Each subunit has one production unit manager who is responsible for its smooth working and who also plays a key role in connecting the subunit with the head office. The subunit managers report directly to the vice-secretary and secretary. Their monthly accounting reports are submitted to the accounting department at the head office.

(3) Marketing & Sales: This department is the main contact point of the customers, other business partners, or any other external contacts. They deal directly with the customers. A summary of customer demand and competitors' positioning is shared with the other departments. Based on their expertise, KI4 decides on its marketing, sales, and trading strategies, such as the decisions about what kind of products it must display in its showroom. This department is also active in trading, which means buying and selling from other khadi institutes. Trading has always been the most important activity of KI4. Because of its resource limitation, it finds trading to be the best option. Even at the beginning of the institute, the main activity of this institute was trading. Production work started slowly, and trading is still KI4's main business activity. Marketing and sales are also actively engaged in marketing the institute and its products and advertising discounts through media, by organizing exhibitions, and so forth. KI4 has one main showroom which has recently been renovated. It is located in the campus and showcases both khadi and village industry products.

Note: According to the Government's rules, khadi products can only be bought from the KVIC-certified khadi institutes.

(4) Godown: One of the main godowns of KI4 is located in its main centre building. This department plays an important role in the institute. It is the most active department and works closely with all other departments. It is responsible for the storage and maintenance of khadi raw material and finished goods. It is also responsible for providing the khadi products to the marketing and sales team, providing raw material to the artisans, collecting the finished products from them, and dealing with other traders.

It has a responsibility to maintain a correct daily record of all entries and exchanges. The management, mainly the chairman and secretary, supervise their work daily. Their records are checked monthly.

¹⁴⁸ Collection point - With the permission and support of the artisan, one home in each village is designated as their distribution and collection point.

(5) Washing and Dyeing –There are also some other departments or individuals responsible for various tasks, such as washing and dyeing processes.

(6) IT Department: The employees of KI4 keep all records written by hand. The traditional working style is still dominant. All their documents are kept in high security and privacy. They are not shared with outsiders easily. These records are not published online. They are maintained for the internal use of the institute, and they are diligently updated with their reports and accounts information. KI4 is supervised by the KVIC regularly. Use of technology in this institute is limited to the basics. For example, computers are used mainly for e-mails. Accounting is still mainly done manually, but it is slowly being duplicated in soft copy. Most of the work at this institute is still done manually or by word of mouth. This institute is located in a small city in which the employees and customers are comfortable with a traditional working style. (8) Tailoring: The campus of KI4 contains a tailoring department, in which several skilled employees work. This is the last stop for the khadi products before they are displayed in the showrooms. Khadi is turned into ready-to-use finished products, such as bedsheets, bags, and garments for men, women and children. In the current revival phase, this department plays one of the most significant roles. Modern fashion clothes are made here to meet the changing demands of the customers. Still, it is considered an external department, because although it is located inside the campus, they do not get any of the benefits received by the KI employees. They are paid by the institute in exchange for the work done. KI4 outsources its work to the tailoring department. Although it is located on the campus and closely connected with the working of KI4, it works like any other private tailoring shop.

Note: Although there are different departments at each khadi institute just like in any other company, in a khadi institute their working style is slightly different. Most employees know and are trained to work in several departments. Although they have their specific responsibilities and departments, the executive team works as a very closely connected team. According to requirements, staff may be sent from one department to another. Therefore, sometimes it is a challenge for an outsider to understand the workflows in low-tech traditional institutes.

(Sources: Information retrieved from field visits, interviews, and discussions with the KI4 employees and artisans).

(7) Other- There are a few other departments or individuals responsible for various tasks. A team is responsible for washing and dyeing processes, and another team is responsible for the testing laboratory. The office at the main unit keeps tight control on all the departments, subunits, and individuals. During the revival phase, each department has restructured, innovations are regularly introduced.

In KI4, most of the employees have the knowledge and skills to work in several departments. Depending on need, employees can be moved from one department to another. This improves the effective utilization of employees, who also enjoy the experience of working in different departments. Though it is a low-tech traditional institute, it practices some of the principles of autonomous workgroups at the employee level. Although executive committee team members have well-defined specific responsibilities, they work as a well-connected team and make important decisions as a single entity.

External Departments

Tailoring: Some work is outsourced to the tailors or fashion designers. In this second revival phase, this external department has gained significant importance. New and innovative designs attract customers. Therefore, professional tailors or dress designers work together with the khadi institute to develop unique products. Various institutes have their private networks.

4.1.7. Type of employees and artisans in Khadi Institute 4

Khadi Institute 1 has two types of employees: office employees and field employees. (1) Office employees - Khadi institute offices have several departments, such as accounting, administration, and IT, and each may have a secretary, vice-secretary, and office staff. Such employees are categorized as office employees in this thesis. The store manager and the head of the laboratory are also considered office employees. (2) Field employees: Khadi institute employees who work in the subunits away from the main unit or in the field, such as those in trading and marketing are called field employees. This category also includes employees who are responsible for showrooms and other outlets.

Artisans: There are two categories of artisans in the khadi institute. The first category includes the artisans who work in the KI's sheds.¹⁴⁹ The second category comprises the artisans who work from home. Khadi institute employees receive a monthly salary, while the artisans receive the wages according to the amount of spinning or weaving, they have done. They are paid throughout the month at irregular intervals.

¹⁴⁹ Khadi sheds – Working place for artisans in the institute itself.

4.1.8. Work routine in khadi institute 4

On workdays, a particular schedule is followed. (1) The day starts early morning at around 5 am. A loud bell is rung; it looks like the sort of bell that used to be rung in schools). All the employees are assembled in their informal clothes in the meditation room. They all carry their small spinning wheel and cotton. They all spin the wheel silently for about one hour, followed by prayers and spiritual songs. After this morning ritual, the employees of the different departments briefly summarize the last day's work, and a work plan for the day is discussed. The chairman as their main leader tries to solve their work-related or personal problems. (2) After this morning ritual, several times all the employees engage in *Shram daan* which means labouring work. During the field study, the author observed that new construction was taking place on the campus. Although labour had been hired to do the task, the employees voluntarily did the labouring work. Their combined belief is based on the Gandhian philosophy which was applied during the Gandhian Era. It suggests that engaging in labour is one of the highest forms of service, and it also helps in self-reflection. One should not feel shame in doing any kind of work. (3) At around 8 am, all the employees are at the office in a formal dress. The office setup is also unique. Most of the employees, excluding showroom and storeroom teams, sit in the same hall. It includes employees from the highest-ranking to the lowest. It includes the chairman, secretary, and employees.

The main office is in the form of a big hall. The working tables and chairs are placed near the walls of the hall in such a way that all of them face each other. Extremely simple identical furniture is used. Their reasons for this set up are several. Firstly, it gives a clear message to all the employees that all are equal. All contribute to the progression of khadi and the institute. Secondly, they want to create a completely transparent working atmosphere in which minimum secrets are kept from their employees. Thirdly, it is a practical working style for them. The nature of the work is highly dynamic, most decisions are made in quick conversations. Fourthly, throughout the day they can discuss any problem that might arise in any department.

Lastly, according to the chairman it also creates discipline. During the author's field visit, it was also observed that although so many people sit under one roof, apart from discussions related to the work there was complete silence, and the work was done seriously. (4) In the afternoon, there is a lunch break for one hour. All the employees are encouraged not to work during this time. (5) At 2 pm the routine work continues until 5 pm. (6) Between 5 pm and 7 pm is free time. (7) At 7 pm another bell rings, and everyone assembles in the meditation room for evening prayers.

A brief discussion about the day's work also takes place during this time. (8) Some people eat their dinners at the canteen while others eat with their families in their rooms. (9) Around 9.30-10 pm most of them sleep.

Note 1: It must be noted that no one is forced to follow this routine. All the employees and their families live together and follow the same routine, and this routine has also become their habit. During the interviews, it was also observed that the opinion about this kind of work culture was mixed. For some employees, mainly senior employees, this was the ideal routine that they have followed throughout their lives. For others, it was challenging, especially for those with families and for young employees who want to explore the world outside but have limited time to do so. The majority of the employees were in favour of keeping this routine.

Note 2: All the employees work and live together like a big family. There are a few advantages for this kind of set up. For example, during the author's fieldwork, the daughter of one of the employees had an accident. Immediately, not only her father but all the employees and their families assembled helped by calling the doctor, carrying the girl to the upper floor, and bringing food to the family. This just took a few minutes and again all of them went back to their work. Financial help is also provided if any employee or family has a problem. They all celebrate festivals together. During fieldwork, some employees and their families also discussed the disadvantages, including the lack of privacy and the long working hours.

4.2. Core elements

Core elements have played a key role in the revival of the low-tech traditional khadi institutes of India. They have strongly influenced the dynamic capabilities of the selected khadi institutes during the second khadi revival era. The literature review theoretically explained seven core elements: leadership, vision & strategy, harnessing the competence base, organizational intelligence, structures & systems, culture & climate, and management of technology. This segment investigates the influence of each core element on Khadi Institute 4 during the revival phase.

Core Element 1 – Leadership

Leadership played an important role in influencing the Innovative Dynamic Capabilities (IDCs) of KI4. As discussed earlier, leadership plays a significant role in low-tech traditional industries. All the other core elements are strongly influenced by leadership. Key decisions are also made by the leader, which are then followed by the team.

Therefore, in the following explanation of the core elements, leadership and the traits of successful leaders, such as the methods and strategies they have applied to make KI4 successful will be given high importance. Explanations of the KI4 core elements will also revolve around the most important core element: leadership. Influence of the leadership on an institute's performance can be explained in three stages. For a detailed explanation of the stages, refer to segment 1.

This institute is categorized as one of the most successful institutes in the state of Uttar Pradesh, and leadership played an important role in its success. Leaders of the second khadi revival era were strongly influenced by the leadership of the successful former leaders of the institute. The current leaders have been following the path defined by the previous successful leaders. One good example is of the founder of the institute, a well-known freedom fighter, Shri Ramsumeru Bhai. This leader had gained many years' experience while working in another khadi institute located in the city of Kanpur in Uttar Pradesh. He was a native of Fatehpur city, which is about 74 kilometres away from Kanpur. In 1961, this leader left the Swaraj Ashram and established a new institute in his native city. He was completely dedicated to working for the artisans' upliftment and the development of khadi. In the beginning, it was challenging work to establish the institute, but he trained people, properly utilized resources made available by external support, and tried to develop the institute by maintaining the same culture and ethics as was maintained during the Gandhian Era. The first Leader acted as a teacher, freedom fighter, hard worker, and he was trained.

When the institute was closed for six months, the entire production of khadi was stopped, and the institute suffered severe losses. But thanks to the fast decision making and hard work of the founder, the institute was able to regain momentum as soon as its work again began. When any institute's work is stopped for a long period, it not only suffers financial losses but its artisans move to other jobs, and its customers also find other options to fulfil their needs. Another challenge was that this institute's main revenue source is trading. In such circumstances, the relationships developed with the trading partners weaken, and it takes the same amount of time and energy to rebuild similar working partnerships. To regain them after a break is a very serious challenge. During the leadership of the second and third leaders, the institute was well maintained. However, there were fewer innovations and slow progress. This changed during the leadership of the fourth leader. This success is

indicated by the fact that during his leadership, the institute has won two national awards. This happened in the tenure of the present leader who worked as a secretary (2005 and 2007) and since 2007 has been chairman. The main skills of this leader include exceptional intelligence and an excellent memory. He is also highly active and ambitious. He follows the traditional style of leadership.

As chairman of the advisory committee, he controls the entire operation. He believes in the old style of khadi working but also tries to accept changes according to the changing market. For instance, he strictly believed in traditional pure khadi, which is not mixed with any kind of chemical or synthetic fibre. Although he personally still favours the pure khadi, after observing changing market demands, he has allowed poly khadi to be sold in the institute's showroom. (Source: Qualitative data is mainly retrieved from the interview with the secretary and from interviews and discussions with other staff members who had the experience of working under several leaders).

Core Element 2 – Vision and Strategy

As discussed earlier in the literature review, leadership strongly influences all other core elements. In low-tech traditional khadi institutes, the leadership has even more influence. In general, it is the vision of the leader or leaders who are followed by the staff. Leaders applied several strategies to revive KI4. The founder adopted an interesting strategy to manage the institute. During the Gandhian Era, a tradition was followed in the khadi institutes. Before work began, all the employees used to assemble for prayers in the morning. This was followed by a spinning wheel ritual for an hour or half. This activity was also considered a morning meditation. This gathering was also used for making announcements or work-related brief discussions. After the day's routine work the evening ended again with a combined prayer. The founder followed this trend set during the Gandhian Era (GE) even in the Post-Gandhian Era (POGE). The leaders appointed after him also followed this trend but not strictly. This less rigorous approach meant that this trend almost vanished. But the fourth leader strongly believed in this strategy. He again strictly followed the traditional daily routine and added a few more points to it. For instance, the staff gatherings in the morning and evening during the tenure of the founder mostly focused on prayers and meditation. But the fourth leader improvised this traditional strategy of gatherings in the morning and evening to fulfil not only the purpose of prayers but also to gather knowledge about the ongoing work in the institute, to maintain a close relationship with the employees, and to set a plan for everyone in the morning so that everyone has a direction so that time is not wasted. Another strategy that he adopted was to keep strict control on the accounting files but still find a way to support employees.

For example, the fourth leader observed that during the tenure of his predecessor, the financial records were not closely monitored. Although the employees were honest, there was no control. Whenever they had financial problems, they used to sell the khadi products and use the money for their private needs. Later, whenever they had the money, they would pay back this unofficial loan. The fourth leader strongly objected to this practice.

He started efforts against it when he was a secretary and strictly implemented these after becoming the chairman; the records were strictly monitored. To support the employees and also to gain their trust, this leader adopted another strategy. He found ways to support them, such as by giving awards in the form of money to the best employees and putting forward the names of the best employees or artisans for external awards. To encourage khadi development and to boost motivation, the Government announces prizes and invites employees for training or visits. The chairman visits the artisan villages regularly. He monitors the ongoing khadi work at the villages and talks to the artisans about their personal problems and tries to support them. The strategies that he has applied are characterized by equality, personal relationships with all the people involved, keeping a close eye on all the ongoing activities and people, and close contact with the macro level by writing letters or communicating strongly and regularly. because KI4 does not have many resources, its strategy is to produce and sell as much as possible in the district of Fatehpur, UP. Because of their limitations, they engage a lot in trading with other khadi institutes.

Core Element 3 – Harnessing the competence base

Four points will be discussed about harnessing the competence base of Khadi Institute 4: resource management, variety of funding channels, business relationships and networking, and marketing and sales.

Resource Management

Three kinds of resources are discussed in this dissertation; human resources, financial resources, and raw material.

(1) Human Resources: KI4 uses two kinds of human resources, khadi employees and artisans. Several employees work in various departments of the institute. Artisans are both men and women, spinners, and weavers. The institute was established to provide facilities and support for artisans living in the nearby villages of Uttar Pradesh. Thus, finding and training spinners is not a problem. However, it is still a challenge to find the weavers in this area. The weavers who reside in distant villages are involved in less work, because of which their productivity is less and thus is less beneficial for the institute.

(2) Financial resources: These comprise revenue from the sale of khadi products with the support of revenue from village industry products, support from traders, and products bartered or sold on credit for fixed periods, just like a loan. Government and private funding come via the KVIC and MSME through various revival programmes.

Variety of funding channels

(1) Support from Mega (MSME) and Macro (KVIC) Levels: Apart from their regular work and assistance, these higher levels also try to support the khadi institutes by offering diverse other help. For instance, several types of free training programmes are available to the khadi institutes for employees and artisans, as well as funded schemes and projects at regular intervals. On several occasions, KI2 has made efficient use of these programmes. More details and examples to elaborate on this point are covered in the next segment (core elements). However, although these facilities are offered to all the khadi institutes, not all of them can make efficient use of them for their institutes' benefit and further development. KI4 is one of the institutes which was able to use this support efficiently. Therefore, support from macro and meso levels also played an important role in its success.

(Source: Qualitative data retrieved from the interviews and multiple discussions with the Uttar Pradesh KVIC director, KI4 chairman and secretary and other employees).

KI4 has often benefitted from the support provided by the meso and macro level. However, the nature of many of these opportunities is so complex that many other institutes do not have skilled employees to handle their complex nature and thus simply ignore them. The problems expressed by the other institute secretaries included tedious paperwork, difficulty in communication, and overall difficult relationship with the officials at higher levels, and difficulty in obtaining allotted funds on time.

(Source: Qualitative data retrieved from interviews with the secretaries of other khadi institutes mainly in Rajasthan as well as other states, and discussions with KVIC officers).

(2) Village Industry (VI) Products: KI4 is one of the most successful khadi institutes in Uttar Pradesh. It is categorized as an A+ institute in the categorization report developed by the Khadi and Village Industry Commission. But it has faced several challenges in surviving and earning competitive advantage under volatile market conditions solely with the revenue generated by the sale of khadi products. Therefore, a portion of the revenue earned by the sale of village industry (VI) products and services have been used on several occasions to support the khadi industry.

This point will be discussed further in the next section. Therefore, VI played an important supporting role in the success of KI4. (Source: Qualitative data retrieved during interviews and discussions mainly with secretary and vice-secretary).

(3) Additional Support: Khadi institute 4 (KI4) has also benefitted from the support given by influential people within the community. These include businessmen, politicians, social workers, freedom fighters, and media people. Some of these influential people are also members of the KI4 advisory board. Outsiders benefit by gaining an opportunity to engage in the work of the khadi institutes. KI4 benefits from their know-how, networks, and relationships. In a broad sense, the work and environment of all khadi institutes throughout the country are more or less similar. This external support is available to these institutes throughout the country, but not all of the khadi institutes can efficiently handle, maintain, and benefit from such support. Khadi institute 4 is one of the institutes that were able to use this support efficiently by maintaining strong relationships with influential members of the community and by regularly involving them in meetings and other events. Therefore, external support played an important supporting role in the success of the KI4 khadi institute. (Source: Qualitative data retrieved from the KI4 advisory board members, executive team interviews and discussions, KI4 documentation, and informal discussions with the residents of Fatehpur city). The khadi industry has a long rich history that is closely intertwined with the freedom struggle of the country. The common masses have not forgotten that khadi brought the entire nation together and played a key role in winning the freedom of the country. Today, khadi is perceived by the citizens of India as a symbol of national heritage. Khadi institutes are officially connected and receive Government support. Common people willingly offer their services in order to contribute to the further development of this industry. Influential people have more reasons to become involved in the khadi institutes' work. For instance, they build strong networks with the government and the political arena, and they earn good names in the community by offering their services for the development of the khadi industry.

(4) Trading: It was found that KI4 is one of the most successful khadi institutes in Uttar Pradesh as indicated by the quantitative data, (see Chapter 5). But it still faces a strong challenge to survive only with the revenue generated by khadi products sale. Therefore, it is strongly supported by the revenue earned by the sale of village industry (VI) products and services. It is involved in a lot of trading with other institutes. To help its further development, it receives free training for employees and artisans from Macro level (KVIC) and Mega level (MSME). More details and examples to elaborate on this point are covered in the next section.

Additionally, it is also supported by influential people of the community, including businessmen, politicians, social workers, freedom fighters, and media people. Some of these influential people are also members of its advisory committee (indicated in the list of the advisory committee). It must be noted that this institute is self-sufficient and does not depend too much on external financial assistance.

(Source: Qualitative data retrieved from the field visits of KI4 units, interview with the secretary and multiple discussions with the vice-secretary and other staff members).

Business relationships & Networking

In this institute, the secretary had a strong relationship with several politicians and influential people in society.

Marketing & Sales

In this institute also the khadi showroom is modernized (comparatively less than the KI 1,2 & 3). They are engaged heavily in trading between the institutes, and they have also worked on developing some unique style clothes designs (prepared in the institute itself) by a well-experienced tailor which have increased their sales manifolds. They are also selling new designs of ready to use multiple khadi textile and other khadi products.

Core Element 4 – Organizational Intelligence

To harness this competence base of KI4, two points will be discussed: learning about the customers and learning about the competitors.

Learning about the customers

Khadi Institute 4 is involved in two types of business. For the first category, business to business (B to B), the target customers are those who are interested in giving big orders. To find this information, several techniques are applied. For instance, the leader holds prominent positions in several Government and non-Government organizations. The information is collected through these networks. For the second category, business to consumer (B to C), the information is collected directly by face-to-face dialogues with the customers, mainly during their visits to the khadi institute's showroom or khadi exhibitions.

Learning about the competitors

Learning about the competitors is by word of mouth because people are closely connected in the khadi circle. The main competitors of this KI are those KIs or other firms who trying

to get large orders over long time periods, particularly from Government organizations. Again, relationships and networks are used as a tool to gather this information.

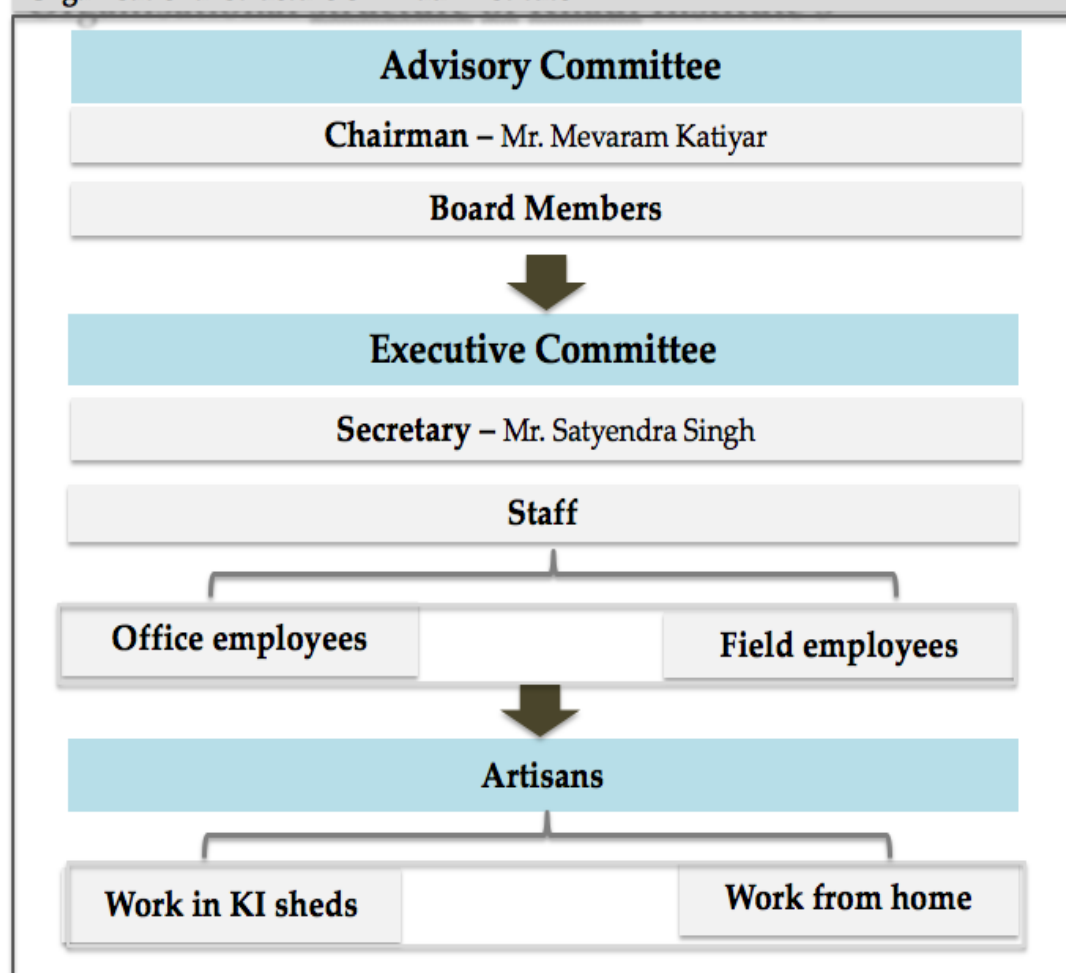
Core Element 5 – Structure and Systems

Structure and systems of KI4 can be divided into two parts: (1) organizational structure and (2) reward systems

Organizational Structure: The organizational structure of KI4 has three main hierarchical levels: (1) the Advisory Board, (2) the Executive Team, and (3) artisans and artisan families. This structure follows the general organizational structure developed for khadi institutes in the Second Khadi Revival Era (SKRE).

Exhibit 4.11.

Organisational structure of Khadi Institute 4



Source: Author; based on field research in 2014

Advisory Committee

The Advisory Committee is the uppermost level. KI3's current Advisory Committee consists of several members from diverse backgrounds. The formula for the composition of such boards is given at the higher meso level (Khadi and Village Industry Commission) and macro level (Ministry of Micro, Small and Medium Enterprises). The Advisory Committee meets every three months. The current board is headed by the chairman, Mr. Mevaram Katiyar. The secretary of the Executive Team, Mr. Satyendra Singh, is also a member of the Advisory Board. Other members include a mix of institute employees, artisans, and influential people from the community who are engaged as external members.

Exhibit 4.12 Advisory Committee			
Advisory Committee Members		Members	Profession
1.	Mr. Mevaram Katiyar	GSS Chairman	Khadi institute
2.	Mr. Satyendra Singh	GSS Secretary	Khadi institute
3.	Mr. Shashikant Pathak	Member	Khadi institute
4.	Mr. Ravindra Pratap Singh	Member	Khadi institute
5.	Mr. Ramlal Sahu	Member	Khadi institute
6.	Mr. Anil Kumar Singh	GSS employee	Khadi institute
7.	Mr. Hafijurar Rahman	Member	Artisan
8.	Mrs. Vimla Devi	GSS employee	Artisan & Social Work
9.	Mrs. Prabha Arya	Member	Artisan & Social worker
10.	Mrs. Sita Rani	Member	Artisan & Social worker

Source: Information retrieved from KI4's internal documentation (Year 2013-2014). This information was verified during the discussions with the vice-secretary during the field study.

Level 2: Executive Team

The Executive Team is the second level. It consists only of paid employees. As Exhibit 4.12 shows, the current Executive Team is headed by the Secretary, Mr. Satyendra Singh.

Level 3: Artisan Families (AFs) and Artisans

There are several artisans, artisan families and artisan villages engaged with this institute. During the field study, the author visited one of the artisan villages.

Reward Systems

In 2012-2013, KI4 provided about 6-7 lakh rupees to encourage artisans. Under the artisan welfare scheme, scholarships were given to artisans' children who are studying in the middle and high school (from 9th to 12th class). They are given scholarships of 100 rupees per month.

Core Element 6 – Culture and Climate

Leaders made several changes in the institution's culture to revive KI4. The founder applied several strategies which laid the strong foundation of the khadi institute. He applied several strategies simultaneously inside and outside the institute. Traditional khadi culture in KI4 was given a new direction by keeping the old values intact. Leaders encouraged the use of technology, people from outside the KI area were connected, new tools were brought, and new technologies were integrated. The second leader adopted a more or less similar approach. Two elements of this will be discussed: empowered employees and communication

Empowered employees

In 2012-2013, KI4 provided about 6-7 lakh rupees to encourage artisans. Under the artisan welfare scheme, scholarships were given to artisans' children who are studying in the middle and high school (from 9th to 12th class). They are given scholarships of 100 rupees per month.

The institute also donated 31,000 Rs during the Gujarat earthquake and Rs. 51,000 during the Uttarkhand crisis. Additionally, the Bangladesh refugees institute received a donation of clothes worth 25,000 Rs. (Source: Author, information retrieved during field Study from internal office documents provided by the KI4 staff. A copy of internal documentation in Hindi was also given. The information is translated into English here).

Communication

The media used for communication at KI4 are telephones, mobiles, and fax machine. Recently they have started using applications such as, Whatsapp for fast communication. More often they rely on calling each other frequently on mobile phones.

The Board meet 3 months while the management meets monthly. Other regular meetings also take place frequently. There is no communication gap between the Advisory Committee, the Executive Team, and employees.

Core Element 7 – Management of Technology

Several advances in technology have been made at KI4. (1) Solar spinning wheels have been tested. (2) A testing lab used to test dyes and tools was constructed. (3) New processes and techniques have been applied to several stages of khadi production. (4) Computers were installed at the institute. (5) 500 plants were planted.

4.3. Dynamic Capabilities and Role of innovation

4.3.1. Sensing

To understand sensing as an innovative dynamic capability in Khadi Institute 4 (KI4), it has been divided into three parts: processes to direct internal R&D, processes to tap supplier and complement innovation, and processes to identify target market segments and changing customer need.

Processes to direct internal R&D and select new technologies

During the revival phase, the processes to direct internal R&D have been highly influential in pushing the institute towards success. KI4 has worked regularly to strengthen its internal R&D.

Internal Research & Development tools: During the revival phase institutes received a lot of support from the government.¹⁵⁰ In this institute, internal research focused on finding new and innovative ideas for product designs. This institute is Type 2 institute, its focus is more on the trading. It has recently started its work on the computer.

Cooperation with institutions and university: KI4 is moderately active in engaging with other local organizations. It encourages dialogues and knowledge exchange with academia.

Collecting information: As already mentioned, khadi institutes do not generally have separate R&D offices. All the members are involved in collecting information according to their departmental role. The marketing and sales team is the most actively involved in this. In this institute, collecting new information about the wholesale orders placed by the Government is given high priority.

¹⁵⁰ KVIC & MSME; higher levels of khadi industry.

Regular meetings: KI4 organizes meetings in two styles, formal and informal. Formal meetings are conducted according to an official guideline circulated by the macro and mega levels. This style is used at regular meetings of the Advisory Board every three months and the regular monthly meetings of the Executive Committee. There are also official meetings conducted by the KVIC and MSME according to the internal agenda. Informal meetings are one of the most important routines that have contributed to the success of the institute. The informal discussions and meeting are held on a daily or even hourly basis. This keeps all the members of the institute well informed, decisions are made quickly, and there is far less delay between decision making and execution, at least in small matters.

Recording: In the formal meetings, handwritten notes are taken which are later converted into internal reports and are sent to the higher levels or circulated in the office.

Processes to tap supplier and complementor innovation

Regular visits are paid to machinery and raw material suppliers for information and training. Such as, visit Gujarat khadi institute which is also a supplier of spinning and weaving machines. It has also set up a machine check system in all its artisan villages. The feedback received from the artisans also helps in this process.

Processes to tap developments in exogenous science and technology

KI4 participates in national fairs and exhibitions. It is a comparatively small institute. Its employees and artisans regularly participate in the training offered by the KVIC to keep itself updated about the existing technologies.

Processes to identify target market segments, changing customer needs and customer innovation

Regular market research is performed by the KI4 team. It keeps a close work relationship with other institutes to understand the changing market trends such as with fashion institutes, media etc. It also regularly engages in dialogues with customers. For example, during the field study, it was observed that it was doing several experiments with the help of its tailoring unit. Such as by designing a jacket which customers could wear from both sides. Since prime minister of India has been seen wearing this kind of jacket during his public appearances. KI4 has named this jacket as "Modi Jacket". This jacket had become extremely popular with the customers.

4.3.2. Seizing

To understand seizing as an innovative dynamic capability in Khadi Institute 4 (KI4), it has been further divided into four parts: delineating the customer solution and the business model, selecting decision-making protocols, selecting enterprise boundaries to manage complements and control platforms, and building loyalty and commitment.

Delineating the customer solution and the business model

Khadi institute 4, in comparison to other institutes, is small in size. Just like in several other khadi institutes, it also faced high competition from the companies, which were producing machine-made clothes at cheap prices. KI4 management realised that they do not have enough resources to produce the khadi products to match the market demand or to face direct competition in the market. Their old-style products demand was also reducing. Therefore, during the revival phase, KI4 encouraged trading with other khadi institutes. Additionally, it made efforts to make its artisan villages self-sufficient by providing the tools, facilities, as well as regular training in the village itself. Their business model was shifted from supplier driven to customer driven business model.

Selecting decision –making protocols

During the revival phase, decisions were taken rapidly. In KI4 they adopted the pattern of taking quick decisions. At KI4, the chairman takes all the decisions.

Selecting institute boundaries to manage complements and control platforms

KI4's boundaries are now expanding. The main target market is Government and private organizations which could place large orders. Now the institute is also working to find opportunities internationally.

Building loyalty and commitment

Loyalty and commitment have been the most important strengths of KI4. They are trying to produce quality products to tight schedules, and this demands commitment. Apart from all other factors, KI4's culture prizes loyalty for khadi. There is one additional emotional factor: the current leader recently lost his young son. Since then, all the institute employees' loyalty and commitment towards their leader has increased.

4.3.3. Reconfiguration

To understand reconfiguration as an innovative dynamic capability in Khadi Institute 4 (KI4), it has been further divided into three parts: achieving decentralization and near decomposability, managing co-specialization, and knowledge management.

Achieving decentralization and near decomposability

The work at KI4 is decentralized. In its main unit, it also has one work shed. KI4 has also made several efforts to develop the artisan villages which are located in this region. These artisan villages work like subunits. In every village, one artisan home is selected which acts like a sub-unit. Regular meetings are organised in this home, and it also has small storage for raw material. They report regularly to the main unit. There are also some challenges because of decentralization and long distances. It is difficult to keep a check on all the subunits. Employees at some subunits are not supervised properly. Therefore, KI4 is currently seeking solutions for this increasing problem during the revival phase.

Governance

At KI4, governance is not an issue during the fast revival phase. However, they have challenges while dealing with the government procedures applied by the KVIC and MSME. In Uttar Pradesh state, artisans are leaving their occupations in large numbers. It is difficult for the institutes to retain them as there are several other job options in which they can earn more. And here as elsewhere, the paperwork required for KVIC is too much, and the payments are delayed.

Managing co-specialization

Khadi Institute 4 specializes in the large-quantity supply of khadi cotton traditional products. Currently, it is not focussing on managing co-specialization. This is not required for its business growth.

Knowledge Management

Khadi Institute 4 has a close relationship with the KVIC state office in Uttar Pradesh and with the KVIC head office¹⁵¹ in Mumbai. The reports of all the meetings, accounting and financial records are regularly sent to the KVIC office. Several visits are made by the KVIC officers to the institute and vice versa.

Field observation: There is a need to intensively check all the records and tally them with the working at the khadi institute. Although the work proceeds efficiently, it is difficult to rely on the written records and also difficult to understand them. It will be helpful to formulate a common knowledge bank. The information is too scattered. Documentation is not been made with organizational structure and working in mind. It was a challenge to find the information required to characterize KI4 for this thesis.

¹⁵¹ Some influential high position officers working at KVIC head office (in 2014), worked earlier as Director of KVIC State office Haryana.

Case 5

Khadi Institute 5

(Located in the state of Haryana)

This case study was developed by the author based on her fieldwork in three phases between 2012 and 2014. Followed by desk work and regular phone conversations with the interviewees between 2015 and 2019. Phase 1 and 2 are explained in the introduction of Appendix 1. Phase 3 described in this section will focus only on the status of the low-tech khadi institutes in the state of Haryana.

Exhibit 5.1: Field Study in the state of Haryana (2014)		
Steps	Field Study	Location
Step 1	Visit to the Khadi and Village Industries Commission (KVIC) state office	Ambala
Step 2	Intensive field study at the selected khadi institute 5 (KI5)	Gharaunda, Karnal
Step 3	Brief field study was also conducted in two more khadi institutes located in the same area for case validation	Jind
Additional	Interview of the employee of the Khadi Institute 5.5 (Trader at KI 5.1; Secretary of oldest khadi institute from Gujarat)	

Source: Author; Based on the field study

Step 1: Visit the state KVIC office located at the Ambala district, Haryana

At the state KVIC office in Ambala, lengthy interviews and discussions were held with the Director followed by the face-to-face interviews and group discussion with other staff members. The author was also invited to attend the official ceremony organized on 2nd October 2014 on Mahatma Gandhi's birthday,¹⁵² popularly known as *Gandhi Jayanti*. This day is celebrated as *Khadi Day* and is a Government holiday. Nationwide, the programmes are organized in the Government offices. On this day, the significance of khadi and contributions of Gandhi to the freedom of India is remembered. Several local personalities, people connected with the khadi industry, and artisans are invited. The author was able to observe and conduct several interviews and discussions on this day. Through this exercise, the author was able to gain an understanding about the khadi industry's structure and working, the status of khadi institutes in the state of Haryana, the relationship between the khadi institute and the KVIC, and the reason for the success of KI5 in Haryana from the KVIC officials' perspective.

¹⁵² Mahatma Gandhi's - Father of the Nation and the Founder of the first khadi Institute. Birthday - 2nd October 1869.

The interviewees also shared information about the other khadi institutes that were doing outstanding work. But since re-categorization had still not been implemented in all the states and khadi institutes, those excellent institutes are still ranked in the low categories.

Problems in the field study: At the beginning, the author was not permitted by the newly appointed director to conduct interviews or discussions, even though the formal permissions had already been given by the KVIC head office and the KVIC director before the author arrived. This information was not communicated properly to the newly appointed director. After a lot of arguments and discussions, the author was given permission and time to conduct the field study at the KVIC state office. The author had to wait for two days in the city until the permission was granted. However, later the author was also invited to Gandhi day, and the field study went smoothly. Only verbal interviews and discussions were held. Internal documentation was not shared by the KVIC employees.

Field study observation: In the state of Haryana, there is lot of hesitation in sharing information with externals in both the KVIC office and the khadi institutes. It is an extremely sensitive area for field study work. Most of the work in the institutes depends on internal trading between the institutes. The main reason is that in this area a lot of artisans are leaving this job. Although there are several challenges but the khadi institutes in this state are highly progressive. They are applying multiple innovative methods to increase their sales, compete in the market and strengthen the institutes.

Step 2: Intensive field study at Khadi Institute 5 (KI5)

The author conducted an intensive field study in Khadi Institute 5 (KI5).

Exhibit 5.2: Intensive fieldwork at Khadi Institute 5, Haryana			
Steps 2	Field Study was conducted	Location	Methodology
	at the Main Unit (MU)	Gharaunda, Karnal	Observations Visits Interviews Individual and Group Discussions Internal documentation
	Additional Interview of the employee of the another Khadi Institute		

Source: Author; Based on field study

As shown in Exhibit 5.2, qualitative data was collected using diverse methods, such as, observations, multiple visits to the main unit and sub-units, lengthy discussions, interviews, and study of the internal documentation. The interviews and discussions were conducted in the local languages, a mix of Hindi and English. The Khadi institute employees shared limited documentation. Multiple visits were made to all the departments and showrooms.

An interview and informal discussions were also conducted with an employee of other khadi institute from Gujarat who was visiting the main khadi institute KI (5) chosen for this case study. He visits this institute regularly for the purpose of trading. Khadi products are bought or sold quite frequently between the khadi institutes of different states. Because each state and each institute has some unique products.

Problems in the field study: There was a lot of hesitation in sharing information with the author. The field study was conducted entirely in the institute. All the employees and a group of external part-time female tailors gave the author plenty of time for discussions, but the author was watched closely by the institute secretary and the staff. Only limited documentation was shared. As in all other states, the author chose to stay in the guest houses of the khadi institute to observe the work closely. In this institute, the author was asked to move to a hotel after just two days. Documentation was unclear.

Step 3: Brief field study was also conducted in two more khadi institutes

Additionally, to understand the situation of the khadi institutes in this area from a broader perspective, a brief field study was also conducted in three additional khadi institutes located in the same region and facing similar market challenges.

Exhibit 5.3: Short fieldwork in the other khadi institutes at Haryana			
Steps 3	Field Study was conducted	Location	Methodology
			Observations Visits Interviews Individual and Group Discussions Internal documentation
1	Visit at the KI5(2)	Jind	
2	Interview of the secretary of the KI5(3)	Jind	
3	Interview of the secretary of the KI5(4)		

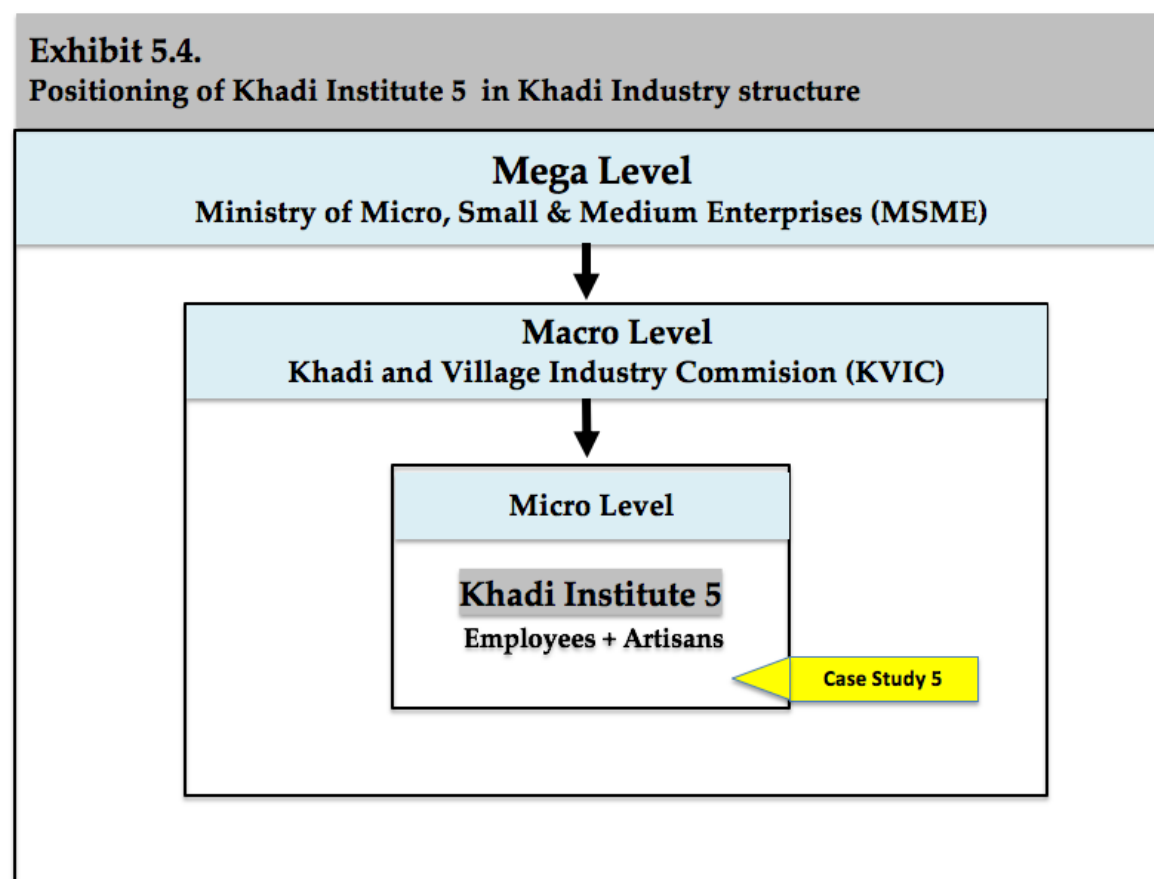
Source: Author; Based on the field study

As mentioned in Exhibit 5.3, Khadi Institute 5 (2) was visited. It is located in the Jind district of Haryana. In this institute, interviews and discussions were also conducted with the secretaries of two other khadi institutes KI5 (3) and KI5 (4). This was a special case, as the secretaries of all the three institutes belong to one family. The secretary of KI5(2) is the father of the secretaries of KI5(3) and KI5 (4).

5.1. Case overview

5.1.1. The positioning of Khadi Institute 5 in the khadi industry

The positioning of Khadi Institute 5 (KI5) in the khadi industry structure during the second khadi revival Era (SKRE) is illustrated in Exhibit 5.4.



Source: Author - Information based on the field study.

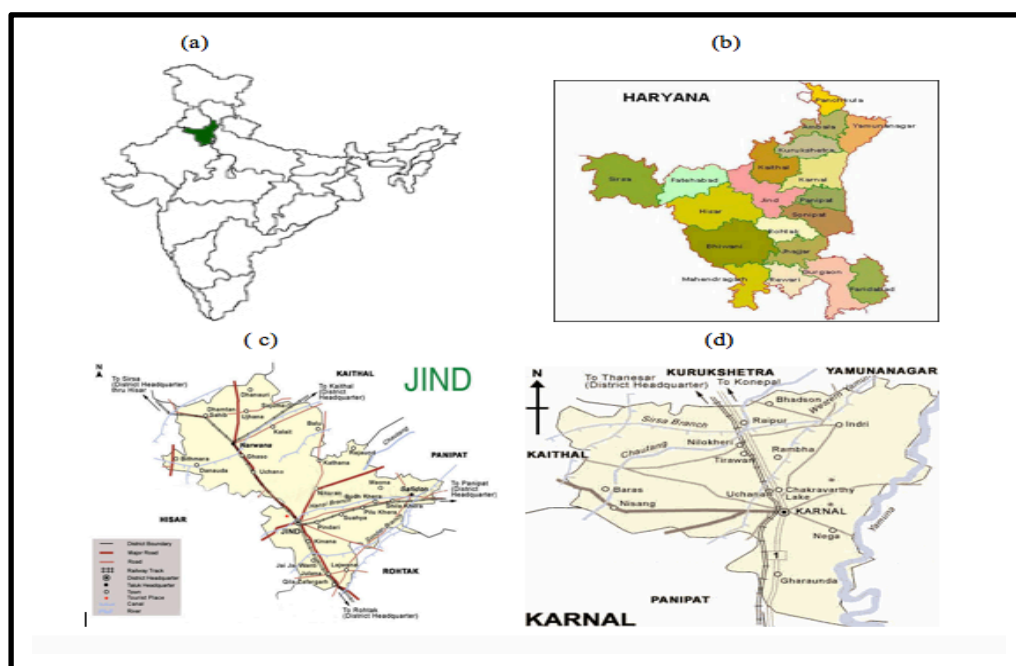
Exhibit 5.4 shows that the khadi industry structure consists of three levels.

(1) Mega level – the Ministry of Small and Medium Enterprises is the topmost in the hierarchy. It has headquarters in Delhi. (2) Macro level - KVIC headquarters are located at Mumbai. The KVIC state office which supervises KI5 is located in the Ambala district of Haryana. (3) Micro level: KI5 is located in the Karnal district of Haryana. KI5 is registered at the KVIC state office. However, it must be noted that KI5 is not a Government office. It is registered by the Government office but works independently, like an NGO. It is closely supervised and supported by MSME and KVIC.

5.1.2. Location

Khadi Institute 5 (KI5) is situated in the district of Karnal, State of Haryana, India.

Exhibit 5.5: Location



Source

(a) India map - <http://www.webindia123.com/hariyana/index.htm>

(b) Haryana map - <http://www.haryanvio.com/en/practice-page>

(c) Jind map - <http://www.jindcity.com/index1.html>

(d) Karnal map - <http://www.haryanahighway.com/Karnal>

Note: Brief field study was done in the other khadi institute located at Jind, Haryana.

5.1.3. Ranking

Khadi Institute 5 is ranked according to the KVIC's categorization method. It is ranked first in the Haryana State. It has secured A+ level in the list of categorization of khadi and polyvastra institutes affiliated to KVIC in the five-tier grading system.

Exhibit 5.6: Ranking						
	Name and Address of the Institute	Marks obtained (self-appraisal)	Marks approved by field office	Marks considered by Central office	Final Grades awarded	Notes
	Khadi Institute 5	-	168	153	A+	Highest marks in Haryana

Source: Retrieved from the KVIC official website (Categorization)

Note: Categorization method applied for khadi institute selection in the west zone by KVIC Haryana.

List of categorization of khadi and polyvastra institutions affiliated to KVIC with effect from 01.04.2004 under Five Tier grading system.

5.1.4. Historical background

After independence in 1947, several changes took place in India¹⁵³. For instance, in 1925, during the Gandhian Era, a non-governmental organization was formed, the All India Spinners Committee (AISA)¹⁵⁴. In 1955, during the Post-Gandhian Era, it was dissolved, and its responsibilities were taken over by the All India Khadi and Village Industry Board (AIKVIB), which worked directly under the Government of India. This decentralization process took place in all the states in India (Narayan & Murthy, 1989). Subsequently, a board was formed in Haryana state in 1967. It was called the Haryana Khadi and Village Industries Board. Several khadi institutes were registered by the Board. As a result, on 1 April 1967, the Khadi Mandir (KM) khadi institute was set up in Karnal. It was officially registered on 10 October 1991. (Source: Document of State office, Budget discussion note year 2014-2015, dated 25.12.2013, Khadi and Village industry commission, 103-A, the mall, Ambala Kent, Haryana).

5.1.5. Khadi Institute 5 - Type

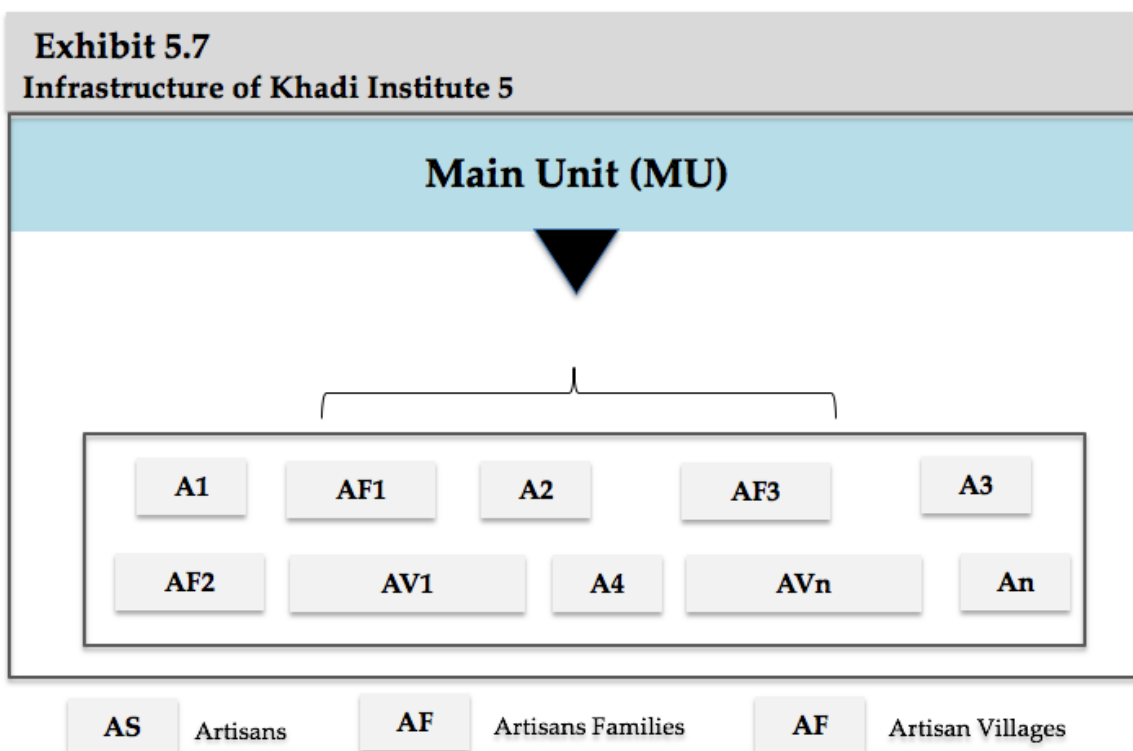
Khadi Institute 5 (KI5) comes under the category type 2. As mentioned earlier (Chapter 4), this category includes those institutes that do not have their production or that produce low quantities. Such institutes are engaged in trading raw material, finished products, and even services with other khadi institutes.

Khadi institute 5 has small infrastructure compared to KI1, KI2, and KI3. It does not have any subunits. It has one main unit which is located at Karnal. It is engaged in the trading of khadi cotton products. It does comparatively less production work. Artisans¹⁵⁵ in distant villages are connected with this institute. They work from home.

¹⁵³ For details refer to chapter 5; Post-Gandhian Era (POGE)

¹⁵⁴ All India Spinners Association (AISA) – In 1925, AISA was established for hand spinning and hand weaving to provide a separate forum for the development of Khadi (Murthy & Narayana, 1989).

¹⁵⁵ During the field study, the author requested several times to visit any artisan village or meet with artisans. KI 5 did not make these arrangements.



Source: Author; Based on the information retrieved during the field study

Note: Artisans are based in Kemala (weavers, 10-12), Konder (spinners, 100-125), and Alawala (Spinners, 100-150).

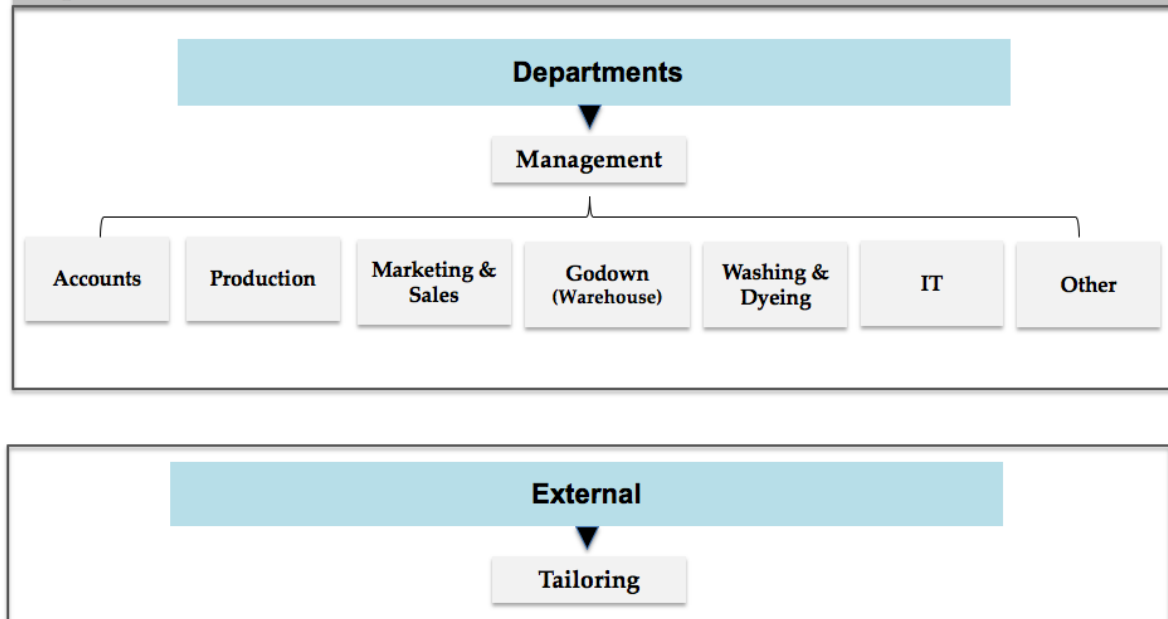
As Exhibit 5.7 shows, KI5 has a main unit which is located at Karnal. It does not have any subunits. Its showroom is directly outside the institute. Several artisans, artisan families, and artisan villages connected with this institute are located in distant villages.

Field observation: This khadi institute is strongly engaged in trading. It is also the strength of this institute as it is a top performer. Hardly any production work takes place. However, the institute employees insisted that a lot of production took place and that numerous artisans were engaged. However, several requests made by the author to visit any artisan village or to conduct interviews with artisans were not assented to. Nonetheless, the author was able to conduct interviews and discussions with the artisans who visited KVIC Haryana on Gandhi day. The situation is similar in almost all the khadi institutes of Haryana. They specialize in trading, and this is also their strength. Production does not take place much because of the shortage of resources and a continuous decline in the number of artisans available for this work in this area. But because of the traditional model of khadi institutes, there is strong hesitation in acknowledging this fact.

5.1.6. Departments of Khadi Institute 5

Exhibit 5.8

Departments of Khadi Institute 5



Source: Author, based on information retrieved during the field study

The main unit of the khadi institute 1 has the following departments.

Internal Departments

(1) Finance and Accounts Department – This department keeps a financial record of both main unit and sub-units. It is also responsible for budgeting. In KI5, the accountant plays an important role, because most of the work is related to trading. (2) Production Department – The production department in the main unit controls production in the main unit. There are facilities available, but negligible production work takes place at the institute. (3) Marketing & Sales Department – Just as in other institutes, during the second revival phase showrooms, has been given high importance. They are completely modernized to attract customers and increase sales. The renovated showroom of the khadi institute is located directly outside the institute in a prime location near the busy highway that links Karnal and Delhi. The showroom has both khadi and village industry products, but it specializes in traditional khadi cotton products. It is known in this area for these products. (4) Go down (Storage) Department - This is the largest and most active department. It handles the storage and maintenance of khadi raw material and finished goods. This team also deals with traders. This institute is engaged in the purchase and supply of khadi products in massive quantities. Thus, several khadi institute employees are engaged in this department. (5) Washing & Dyeing – The facilities are available, but little work takes place.

(6) IT Department - This institute is IT -friendly. They have CC cameras and computers and are also thinking of adopting new technologies that could increase work performance. However, the rules of the khadi industry that cloth must be handwoven and hand spun limit the usage of technology to certain areas. This institute takes large orders, such as blankets and cushions for railways, and uniforms for police. The orders have specific requirements. Therefore, this work is outsourced to a local group of tailors. Several housewives are connected with this institute.

External Departments

Tailoring: In this institute, the tailoring department plays a key role because products are supplied in huge quantities according to the requirements of the orders. The tailors are given the work. One big group of part-time tailors works for this institute.

The biggest difference from other institutes is that KI5 is engaged in buying khadi products from other khadi institutes and selling the ready products directly. Therefore, production and related activities, such as washing & dyeing, are almost negligible in this institute. Work in the accounts department, godown, and IT department are highly active. All other employees support these departments.

5.1.7. Type of employees and artisans in Khadi Institute 5

Khadi Institute 5 has two types of employees: office employees and field employees. (1) Office employees - Khadi institute offices have several departments, such as accounting, administration, and IT, and each may have a secretary, vice-secretary, and office staff. Such employees are categorized as office employees in this thesis. The store manager and the head of the laboratory are also considered office employees. (2) Field employees: Khadi institute employees who work in the subunits away from the main unit or in the field, such as those in trading and marketing are called field employees. This category also includes employees who are responsible for showrooms and other outlets. (3) Workers: This is an additional category in this institute. The workers are engaged in support work related to massive supply and purchase, such as packing. (4) Artisans: In KI5, artisans work part-time for hourly payment. They work in their own homes. Khadi institute employees receive a monthly salary, while the artisans receive the wages according to the amount of spinning or weaving they have done. They are paid throughout the month at irregular intervals.

5.1.8. Khadi Institute 5 Performance

Performance of the Khadi Institute 5 (KI5) is illustrated in Exhibit 5.9.

Exhibit 5.9: Khadi Institute 5 performance from 2003-2004 to 2013-2014				
KHADI	Production (Lakhs / Rs)	Sales (Lakhs /Rs)	Employment	Earnings (Lakhs)
2003-2004	268.87	505.72	2973	96.10
2004-2005	348.17	516.39	3232	101.66
2005-2006	387.87	554.98	2813	128.79
2006-2007	471.20	768.60	2806	145.40
2007-2008	481.17	682.39	3073	151.14
2009-2010	892.10	1152.45	3806	270.98
2010-2011	909.49	1170.47	3030	336.65
2011-2012	850.52	1348.54	2292	256.55
2012-2013	988.28	1743.42	2701	275.50
2013-2014	1069.64	2130.52	2818	257.13

Source: This data was given by the finance department of the KI5 institute during the field study.

According to the balance sheet of 2012-13, KI5 has properties worth 92.88 lakhs in which land worth is 43.28 Lakh rupees and the institute infrastructure worth is 34.08 lakh rupees. According to the balance sheet of 2012-2013 KI5 has stock worth 253.61 lakh rupees and property worth of 92.88 lakh rupees. This institute has 1755 registered spinners and 72 registered weavers. (Source: Document of State office, Budget discussion note year 2014-2015, dated 25.12.2013, Khadi and Village industry commission, 103-A, the mall, Ambala Kent, Haryana).

5.2. Core elements

The literature review theoretically explained seven core elements: leadership, vision and strategy, harnessing the competence base, organizational intelligence, structures and systems, culture and climate, and management of technology. During this research, the influence of each core element on the dynamic capabilities of five khadi institutes was investigated in detail. The similarities and differences between these core elements were closely studied. Based on the research analysis, it was found that these core elements have played a key role in the revival and success of the khadi institutes during the Second Khadi Revival Era. In this section, a summary of the influence of core elements on dynamic capabilities is provided with some examples.

Core Element 1 – Leadership

In KI5, leadership has played a significant role during the revival phase. KI5 has also passed through several phases of success and failure. In this segment, the focus will only be on the one leader, the current chairman, whose efforts led to the revival and strengthening of the khadi institute. He was appointed secretary of the institute in 1978. Compared to the previous leader his leadership style is less dominant. He believes in treating the employees equally, he is a team player, and he believes in simplicity. Additionally, he gives high importance to quality control and security issues.

Information retrieved from the interview with the leader (Chairman of KI5)

Note: In KI5, the chairman plays an active leadership role in both the advisory committee and executive committee. Even the secretary follows his orders daily. Therefore, in this case study, the chairman is considered as a leader.

The leader of KI5 believes in the traditional style of leadership, considering the employees and artisans as family members just like in the Gandhian Era. He is strongly in favour of producing or trading traditional khadi products and also encourages the idea of poly khadi.

His most influential trait, which has played an important role in strengthening the khadi institute during the revival phase, is his polished skill in building strong networking relationships with other organizations. He is highly active as a member of other influential organizations of Haryana. For example, He is General Secretary of the Haryana Khadi Gramodyog Federation, Chairman of the Shivali Khadi Ashram (Una), a member of Mahendra Khadi, and a member of Kurukshetra Khadi.

Core Element 2 – Vision & Strategy

In the revival phase, the vision of the leader was to focus on increasing the sale of selected traditional khadi cotton products and to specialize in specific traditional style products. His vision was also to become the market leader for traditional khadi products such as traditional thick khadi cotton and khadi wool blankets.

He applied several strategies to strengthen the khadi institute during the revival phase. His main strategy was to focus on a few selected networking partners and obtain large wholesale orders.

Information retrieved from an interview with a KI5 employee

A wholesale order was placed through the KVIC office by All India Railways to produce dusters for 10 years. This innovative approach of targeting selected networking partners resulted in a massive success for the institute.

Core Element 3 – Harnessing the competence base

Four points will be discussed about harnessing the competence base of Khadi Institute 5: resource management, variety of funding channels, business relationships and networking, and marketing and sales.

Resource Management

Three kinds of resources are discussed in this dissertation; human resources, financial resources, and raw material.

(1) **Human Resources:** KI5 uses three kinds of human resources, khadi employees, artisans, and workers. Several employees work in various departments of the institute. Since this institute focuses more on trading. It has more workers, both part-time and full time, to support in the trading work. Women, mostly housewives, are employed as part-time tailors who work from home. Most of the population of this area are Rajput people (Rana families). These families do not allow their women to work outside. Therefore, these women are easy to find in this area. They work from home and charge less money. For instance, to stitch a 12-inch duster takes 3 to 5 minutes. They are paid 55 paise each.

(2) **Financial resources:** These comprise revenue from the sale of khadi products with the support of revenue from village industry products, support from traders, and products bartered or sold on credit for fixed periods, just like a loan. Government and private funding come via the KVIC and MSME through various revival programmes.

(3) **Raw material:** The raw material is only allowed to be bought from KVIC yarns. This causes several problems, such as delays. To avoid these problems, sometimes this raw material is bought from traders.

Variety of funding channels

(1) Support from Mega (MSME) and Macro (KVIC) Level: During the revival phase, several development programmes were initiated by the KVIC and MSME to strengthen the khadi institutes. KI5 collaborated with higher levels and made use of the resources and support. For instance, its modern showroom was constructed through KVIC development programmes. Various types of free training programmes are also available to the khadi institutes for employees and artisans; there are funded schemes and projects at regular intervals.

Exhibit 5.10: Position of khadi institute 1 in khadi industry structure

Project	C.B.C Fund	Commission Fund	Bank Finance	Personal Capital	Total
Khadi - Cotton	4.43	3.10	60.00	50.00	117.53
Khadi - Silk	0.49	-	-	-	0.49
Khadi - Woollen	11.40	6.45	11.93	63.95	93.73
Total	16.32	9.55	71.93	113.95	211.75
Poly Khadi	-	0.49	-	-	0.49
VI	-	-	-	-	-
Total	16.32	10.04	71.93	212.24	212.24

(Source: Document of State office, Budget discussion note year 2014-2015, dated 25.12.2013, Khadi and Village industry commission, 103-A, the mall, Ambala Kent, Haryana).

Earlier, KI5 focused only with khadi cotton and wool. Now it integrates poly khadi, which is part of the Village Industry (VI) product category.

(2) Support from other organizations and khadi institutes: Support in various forms is also received from other organizations and khadi institutes.

(3) Additional Support: The leader is also engaged in other business, such as construction work. During difficult situations, financial resources are re-allocated to the khadi institute.

Business relationships and Networking

Mainly because of its leader, KI5 has strong relationships with influential organizations in Haryana State such as the Haryana Khadi Gramodyog Federation, the Shivali Khadi Ashram (Una), the Mahendra Khadi, and the Kurukshetra Khadi. This has played a prominent role in strengthening the institute during the revival phase.

Marketing & Sales

The marketing and sales team is active in trading and showroom sales. It is also famous for some unique khadi products. Such as *moti khadi*, which are thick khadi products, and *dari*, which are traditional Indian carpets used frequently in large gatherings.

Core Element 4 – Organizational Intelligence

During the Post-Gandhian Era, negligible efforts were made to learn about customers or competitors. Because of this negligence, leaders did not even realize that changes were occurring in the market, in customer demand, and the competitors' approach. During the revival phase, organizational intelligence is considered highly important. KI5 employees regularly try to develop products which are in line with the customers' needs. They are investing a lot of time in observation and R&D to learn about current market trends.

Learning about the customers

Khadi Institute 5 is involved in two types of business. For the first category, business to business (B to B), the target customers are those who are interested in giving big orders. To find this information, several techniques are applied. For instance, the leader holds prominent positions in several Government and non-Government organizations. The information is collected through these networks. For the second category, business to consumer (B to C), the information is collected directly by face-to-face dialogues with the customers, mainly during their visits to the khadi institute's showroom or khadi exhibitions.

Learning about the competitors

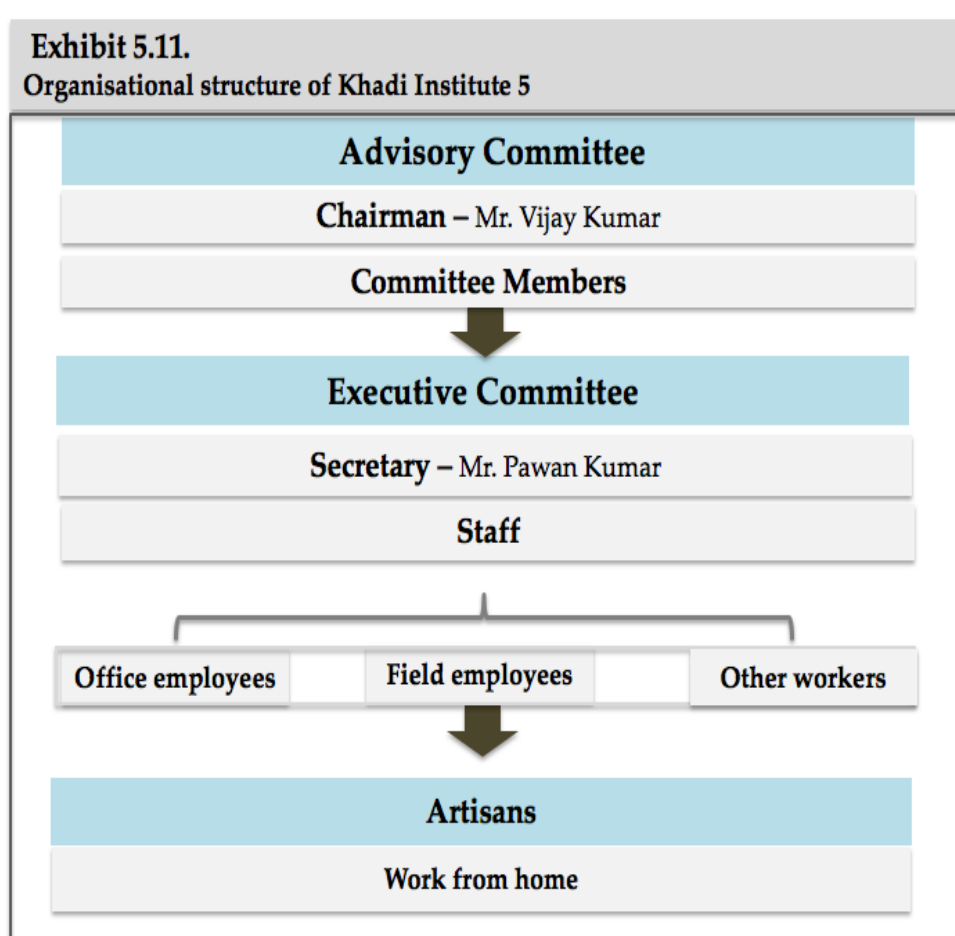
Learning about the competitors is by word of mouth because people are closely connected in the khadi circle. The main competitors of this khadi institutes are those KIs or other firms who trying to get large orders over long periods, particularly from Government organizations. Again, relationships and networks are used as a tool to gather this information.

Core Element 5 – Structure & Systems

The structure and systems of khadi institutes can be divided into two parts: organizational structure and reward systems

Organizational Structure

The organizational structure of the khadi institute 5 has three main hierarchical levels: Advisory Committee, (2) Executive Committee, and (3) artisans and artisan families. This structure follows the general organizational structure guidelines for the khadi institutes are given by KVIC in the Second Khadi Revival Era (SKRE).



Source: Author; based on field research in 2014

Note: Organizational structure is the same till today.

Advisory Committee: This is the topmost level. KI5's current advisory committee consists of a chairman, vice-chairman and several members from diverse backgrounds. Other members include a mix of KI5 employees, artisans, and influential people from the community.

Exhibit 5.12			
Advisory Committee of Khadi Industry 5			
	Member	Position	Profession
1.	Mr. Pawan Kumar	Chairman	Businessman
2.	Mr. Laxmi Chand	Vice-chairman	Employee / Cashier
3.	Mr. Subhash Chand	Secretary	Businessman
4.	Mr. Dheeraj Kumar	Member	Businessman
5.	Mrs. Shanti Devi	Member	Activist / Housewife
6.	Mr. Kuldeep Kumar	Member	Employee
7.	Mr. Laxmikant Pandey	Member	Employee
8.	Mr. Suba Singh	Member	Bank
9.	Mrs. Santosh	Member	Artisan (Spinner)
10.	Mr. Satish Kumar	Member	Artisan

Source: Information retrieved from Khadi Mandir internal documentation. This information was verified during the discussions with the vice-secretary during the field study.

As Exhibit 5.12 shows, the current advisory committee consists of 10 members. These are 3 employees, 2 ex-employees, 3 businessmen, 1 bank employee, 1 activist housewife and 2 artisans. The committee meets regularly every three months.

Executive Team: The Executive Committee is the second level. It consists only of paid employees. The current Executive Team is headed by the secretary Mr. Subhash Chand. It must be noted that in KI5, the chairman is considered the head. His orders are followed even by the secretary, vice secretary, and other staff members. He also acts as secretary of the executive committee.

Artisan families and artisans: Artisans and artisan families are the third level. They are not considered full-time employees of the institute. They work either part-time from home or in the sheds of the institute. At the KI5, artisans also work in the production units close to their homes. Wages are paid either hourly or in exchange for the finished or semi-finished khadi products.

Reward Systems: KI5 provides a lot of support to employees and artisans. However, there is no system of giving awards in a ceremony.

Core Element 6 – Culture & Climate

Several changes were incorporated in the khadi institute 5 culture and climate during the revival phase. The traditional¹⁵⁶ khadi culture of the institute was given a new direction by keeping the old values intact. KI5 strongly follows the traditional culture of khadi institutes which was set up during the Gandhian Era. All its leaders were either freedom fighters or were strongly connected with politics or business. Thus, it has strong traditional roots. But it has never hesitated to incorporate new trends and techniques for the development of the institute. The core element of culture and climate is divided into two parts: empowered employees and communication.

Empowered employees

In the revival phase, On 30.11.2013 khadi institute 5, deposited 3.14 lakh rupees in artisan welfare trust. In every third month, the institute must send a report to the head office and the trust. On 15.08.2013 institute has insured 916 artisans under jan shree beema yojna (Jan shree insurance scheme). Under the same scheme, scholarships have also been given to students. KI5 has also opened bank accounts for 1170 spinners and 70 weavers. Reports are regularly sent to the state KVIC office. Under the Market Development Assistance (MDA) scheme, a 25% bonus is distributed among the artisans. (Source: Document of State office, Budget discussion note year 2014-2015, dated 25.12.2013, Khadi and Village industry commission, 103-A, the mall, Ambala Kent, Haryana).

Communication

The media used for communication in KI5 are telephones, mobile phones, and fax machines. Recently they have started using e-mails for communication and applications like WhatsApp for fast communication. More often they rely on calling each other often on mobile phones. The Advisory Committee meets every 3 months and the management meeting takes place monthly. Other regular meetings also take place often. There is no communication gap between the employees or the artisans in KI5.

¹⁵⁶ Traditional Khadi culture was followed during the Pre-Gandhian and Gandhian Era.

Core Element 7 – Management of Technology

During the revival phase, new computers have been installed in the khadi institute. Also, CCTV cameras have been installed to keep a close eye on all the departments and to prevent theft.

Information retrieved from an interview with a KI5 employee

Several small thefts have taken place in the institute in recent years. A few years back, a big theft took place. However, the loss was covered by insurance. Since then, the security system has been strengthened. The installation of CCTV has completely stopped the thefts.

Excerpt from an interview with a KI5 employee

Compared to other khadi institutes, our institute is open-minded. We are making initiatives to use technology in such a manner that on one side the institute performance could increase and work become easier for employees, artisans, and workers. In the khadi industry, the use of technology is done in such a way that the employees and artisans' employment does not get affected and the significance of khadi as hand spun and hand woven is maintained. We can do this, but what we need is training in basic technology. Most of our employees are not even trained in using computers for sending emails or to do routine work.

Field study observation- This institute is already using some of the new technologies in their computers and also in the testing laboratories and packaging and design. They are ready to learn and adopt modern technology. However, they might need systematic training because their technical knowledge is limited.

5.3. Dynamic Capabilities & Role of innovation

5.3.1. Sensing

To understand sensing as an innovative dynamic capability in Khadi Institute 5 (KI5), it has been divided into three parts: processes to direct internal R&D, processes to tap supplier and complement innovation, and processes to identify target market segments and changing customer need.

Processes to direct internal R&D and select new technologies

During the revival phase, the processes to direct internal R&D have been highly influential in pushing the institute towards success. KI5 has worked regularly to strengthen its internal R&D.

Internal Research & Development tools: As mentioned earlier, during the revival phase institutes were supported actively by higher levels (MSME & KVIC). Several funds were given to them to revive their institutes. KI5 has invested a lot of funds in upgrading the technology for internal research purpose. Several cameras are installed in different departments to keep a check on the ongoing work, a team is working on collecting information about the upcoming big contracts in the market. And to find the markets having huge demand for traditional khadi products. Such as woollen blankets, traditional khadi design clothes and bags.

Cooperation with institutions and university: KI5 has always been highly active in engaging with other organizations. Secretary of the institute is also an active member of several local associations. He is also engaged in multiple collaboration projects, not only with the khadi institute but also with the different businessman. Due to his widespread networks, he is also able to cooperate with other institutions. This institute is not dealing actively with schools or universities. It is mainly dealing with traders or local policymakers.

Collecting information: As already mentioned, khadi institutes do not generally have separate R&D offices. All the members are involved in collecting information according to their departmental role. The marketing and sales team is the most actively involved in this. In this institute, collecting new information about the wholesale orders placed by the Government is given high priority.

Regular meetings: KI5 organizes meetings in two styles, formal and informal. Formal meetings are conducted according to an official guideline circulated by the macro and mega levels. This style is used at regular meetings of the Advisory Board every three months and the regular monthly meetings of the Executive Committee. There are also official meetings conducted by the KVIC and MSME according to the internal agenda. Informal meetings are one of the most important routines that have contributed to the success of the institute. The informal discussions and meeting are held on a daily or even hourly basis. This keeps all the members of the institute well informed, decisions are made quickly, and there is far less delay between decision making and execution, at least in small matters.

Recording: In the formal meetings, handwritten notes are taken. These are later converted into KI5's internal reports and are sent to the higher levels or circulated in the office.

Processes to tap supplier and complementor innovation

Regular visits are paid to the khadi raw material such as cotton and wool suppliers. This institute is engaged in mass production of traditional khadi products. Therefore, they generally try to tap supplier and complementor innovation which could help them to either increase their sale in distant markets. Otherwise, they try to work together with them to innovate in such a way that they could get large contracts. This is possible if mainly the product quality is good, and prices are low.

Processes to tap developments in exogenous science and technology

KI5 participates mainly in national fairs and exhibitions to tap developments in this particular direction. Their employees also participate in the meetings and training organised by the KVIC. They are also interested in finding new technology and tools which could help them to manage their work of traditional khadi production properly.

Processes to identify target market segments, changing customer needs and customer innovation

KI5 has close trading relations with several khadi institutes. Through this channel, it is acquiring knowledge about the changing customer demand around the country. The chairman, as well as few other board members, are travelling quite regularly in different states, to participate in the training, and to engage in the discussions with the khadi industry senior officials. This exchange of knowledge is also helping them to identify target market segments and to collect resources.

5.3.2. Seizing

To understand seizing as an innovative dynamic capability in Khadi Institute 5 (KI5), it has been further divided into four parts: delineating the customer solution and the business model, selecting decision-making protocols, selecting enterprise boundaries to manage complements and control platforms, and building loyalty and commitment.

Delineating the customer solution and the business model

Khadi institute 5, is small in size in comparison to other institutes mentioned in the thesis earlier. It has also faced a difficult situation before the revival phase. Just like KI4, management of KI5 also realised that they do not have enough resources to produce the khadi products to match the market demand or to face direct competition in the market. Their old-style products demand was also reducing. Therefore, during the revival phase, KI5 encouraged trading with other khadi institutes.

Additionally, they started focussing on mass production of specific traditional products and made efforts to sale them in small distant markets around the nations

Selecting decision –making protocols

During the revival phase, decisions are taken rapidly. In KI5, also the team decided to make quick decisions to compete in the market and increase its sale rapidly. In general, the new proposals or issues are regularly discussed with the team. And they are also discussed with the board members during the board meeting. In this institute, the chairman plays a strong role in decision making.

Selecting institute boundaries to manage complements and control platforms

KI5's boundaries are now expanding. The main target market is Government and private organizations which can place large orders. Now the institute is also working to find opportunities internationally.

Building loyalty and commitment

Loyalty and commitment have been the most important strengths of KI5. They are trying to produce quality products to tight schedules, and this demands commitment. Apart from all other factors, KI5's culture prizes loyalty for khadi. There is one additional emotional factor: the current leader recently lost his young son. Since then, all the institute employees' loyalty and commitment towards their leader has increased.

5.3.3. Reconfiguration

To understand reconfiguration as an innovative dynamic capability in Khadi Institute 5 (KI5), it has been further divided into three parts: achieving decentralization and near decomposability, managing co-specialization, and knowledge management.

Achieving decentralization and near decomposability

The work at KI5 is also decentralized. It does not have any other sub-unit. But it has several artisan villages spread across the state of Haryana. KI5 is focussing on the mass production of selected khadi products.

Governance

At KI5, governance is not an issue during the fast revival phase. However, they have challenges while dealing with the government procedures applied by the KVIC and

MSME. In Haryana state, artisans are leaving their occupations in large numbers. It is difficult for the institutes to retain them as there are several other job options in which they can earn more. And here as elsewhere, the paperwork required for KVIC is too much, and the payments are delayed.

Managing co-specialization

Khadi Institute 5 specializes in the large-quantity supply of khadi cotton traditional products. Currently, it is not focussing on managing co-specialization. This is not required for its business growth.

Knowledge Management

KI5 has close relationships with both the KVIC state office in Haryana and the KVIC head office¹⁵⁷ in Mumbai. The reports of all the meetings and accounting and financial records are regularly sent to the KVIC office. Several visits are made by the KVIC officers to the institute and vice versa.

Field observation: There is a need to intensively check all the records and tally them with the working at the khadi institute. Although the work proceeds efficiently, it is difficult to rely on the written records and also difficult to understand them. It will be helpful to formulate a common knowledge bank. The information is too scattered. Documentation is not been made with organizational structure and working in mind. It was a challenge to find the information required to characterize KI5 for this thesis.

¹⁵⁷ Some influential high position officers working at KVIC head office (in 2014), worked earlier as Director of KVIC State office Haryana.

Appendix 2: Field Study

Interview and Discussion Questions Template



Universität St.Gallen

Research Topic	Revival of low-tech traditional institutes of India
Researcher	Rashmi Rai-Rawat
Supervisor	Prof. Li. Choy Chong and Prof. N.M. Agrawal
University	St. Gallen University, Switzerland
Field Study Purpose	Phd degree, Field Research work
Research Focus	Low tech traditional khadi institutes

Date of Interview (DD/MM/YY)

Day of Interview

Time of Interview

Interview Location (City/ Village / State)

Section 1. Interviewee background questions

1.1. Interviewee Information

1.1.1. Full Name of the interviewee

1.1.2. Name and location of the khadi institute (workplace)

1.1.2. Current Position in khadi institute

1.1.3. Place of origin (city/state)

1.1.3. Contact No.

1.1.4. E-mail

Optional questions related to the interviewee background

1.1.5. Age

1.1.6. Gender

1.1.8. Religion

1.1.9. Marital Status

1.1.10. Number of children

1.1.11. Living with the family

1.2. Skills and Competences

1.2.1. Education level

1.2.2. Technical/ Non-Technical

1.3. Work Experience in Khadi Industry

1.3.1. Have you worked before joining khadi Industry?

(Which field? / How many years? / Why have you changed your job?)

1.3.3. What is your motivation to join the khadi Industry (Past / Present)

(a) Job (b) Gandhian + Job (c) Gandhian (d) Other

1.3.4. Would you like to continue working in the khadi Industry?

1.3.5. Where do you see yourself working after 5 years?

(a) In Khadi Industry (b) Other

1.4. Work Experience in khadi institute

1.4.1. In which year have you joined the institute

(On which position did you join? On which position are you working now?)

1.4.3. What was your first/current

(a) Job Position (b) Department

(Have you got the promotion? Your salary increased?)

1.4.7. Does your job require travelling (National / International)?

1.4.8. Do you regularly participate or visit other khadi institutes or khadi related events?

1.4.9. Have you received awards? (Internal / External)

1.5. Specialization in Khadi Cotton

1.5.1. Work Experience in years

1.5.2. Which specific cotton unit

Section 2. Research Focus Questions

2.1. Discussion on core elements

(Leadership, Vision and Strategy; Harnessing the competence base; Organisational intelligence; Structure & Systems; Culture & Climate; Management of Technology)

2.2. Discussion on dynamic capabilities

(Sensing; Seizing & Reconfiguration)

2.3. Discussion on the role innovation

Section 3: Opinion based questions

3.1. Discussion on opinion-based questions related to khadi industry and khadi institutes

(What are the main challenges in the development of khadi institute? What are your recommendations for improvement? In what way are you supporting other weak khadi organisations to strengthen? How to integrate organic cotton with Khadi? What were the main challenges in making these innovations? What was the main impact on firm performance?

3.2. Discussion on opinion-based questions related to khadi industry and khadi institutes

3.3. Discussion on opinion-based questions related to the future of khadi industry and khadi institutes

Section 4: Interview Experience based question

4.1. Discussion on opinion-based questions related to khadi industry and khadi institutes

(What was your experience for this interview? Describe in one word – What is Khadi for you?

May I come back to you in case of other questions? (medium E-mail, visit, telephone, etc)

Thank you for your time....!

Appendix 3: Signature Form Templates

Interviewee and Discussants Signature Forms

Template 1

Interviews: MSME, KVIC, KVIB and Khadi institute employees one to one interviews and discussions



To whom it may concern

This is to certify that Mrs. Rashmi Rai-Rawat, born on 28 September 1978 has conducted the interview of

Mr/ Mrs _____

Office/ Institute _____

Department _____ Position _____

State _____ City _____

Contact No. _____ Email _____

Date _____ Time _____

Interviewee Signature

Researcher Signature

Information shared by the interviewee will be used for a doctoral thesis at the University of St. Gallen, Switzerland. In future, the findings could also be used for publication in the scientific journal and other publications. The researcher will always inform and take permission from the interviewee/institution if there is a requirement to share the given information with the third parties.

The interviewee has willingly shared the information with the permission of institution authorities

Template 2



Discussants: KVIC employees group discussions

Discussant 1

Mr/ Mrs _____

Office/ Institute _____

Department _____ Position _____

State _____ City _____

Contact No. _____ E-mail _____

Date _____ Time _____

Signature _____

Discussant 2

Mr/ Mrs _____

Office/ Institute _____

Department _____ Position _____

State _____ City _____

Contact No. _____ E-mail _____

Date _____ Time _____

Signature _____

Discussant x**Mr/ Mrs** _____

Office/ Institute _____

Department _____ Position _____

State _____ City _____

Contact No. _____ E-mail _____

Date _____ Time _____

Signature _____

Information shared by the interviewee will be used for a doctoral thesis at the University of St. Gallen, Switzerland. In future, the findings could also be used for publication in the scientific journal and other publications. The researcher will always inform and take permission from the interviewee/institution if there is a requirement to share the given information with the third parties.

The interviewee has willingly shared the information with the permission of institution authorities.

Template 3



Universität St.Gallen

Discussants: KVIC employees group discussions

Artisans / other part-time employees (like tailors) group discussions

Date _____ Time _____

City/ Village _____ District _____

Working For _____

Occupation _____

Name _____ Age _____ Sign _____

Name _____ Age _____ Sign _____

Name _____ Age _____ Sign _____

Name _____ Age _____ Sign _____

Name _____ Age _____ Sign _____

Name _____ Age _____ Sign _____

Name _____ Age _____ Sign _____

Name _____ Age _____ Sign _____

Name _____ Age _____ Sign _____

Interviewee Signature

Researcher signature

Information shared by the interviewee will be used for a doctoral thesis at the University of St. Gallen, Switzerland. In future, the findings could also be used for publication in the scientific journal and other publications. The researcher will always inform and take permission from the interviewee/institution if there is a requirement to share the given information with the third parties.

The interviewee has willingly shared the information with the permission of institution authorities.

Appendix 4

List of Interviewees and Discussants

No.	Interviewee / Discussant	Position	Location
1.	Mr. Baldhari Singh	Director	KVIC Jaipur office
2.	Mr. M.M Khan		KVIC Jaipur office
3.	Mr. Ashok Sharma	Secretary	Main Center
4.	Mr. Ram Kishore Singh	Vice-Secretary	Main Center
5.	Mr. Avinash	IT / Communication	Main Center
6.	Mr. Shankar Lal Sharma	Godown Manager	Main Center
7.	Mr. Jagdish Prasad Sharma	Manager	Showroom
8.	Mr. Ramesh Chandra Jhangid	Incharge	
9.	Mr. Hanuman	Manager	Centre
10.	Mr. Madan Lal Namha	Secretary	
11.	Mr. Ashok Kumar Sharma	Secretary	Jaipur home office
12.	Mr. Ramavtar Gupta	District Industry Officer(DIO)	KVIB Dausa Office
13.	Mr. Tripathi		KVIC, Bikaner
14.	Sanjay G. Hedao	Director	KVIC Ahmedabad
15.	D.L. Singh		KVIC Ahmedabad
16.	Mr. Chandrakant H. Patel	Secretary	Main Center office
17.	Mr. Prakash Panchamiya	Vice-Secretary	Main Center office
18.	Mr. Jaysukh G. Trivedi	General Manager	Khadi Plaza Showroom
19.	Mr. Bhuvish C. Rathod	Sales Team	Khadi Plaza Showroom
20.	Mr. Jaysukh B. Valu	Sales Team	Khadi Plaza Showroom
21.	Mr. Gaurang B. Shah	Sales Team	Khadi Plaza Showroom
22.	Mr. Vijay R. Joshi	Sales Team	Khadi Plaza Showroom
23.	Mr. Ramesh M. Davera	Sales Team	Khadi Plaza Showroom
24.	Mr. Bavisimahendra Nemchand Bhai	Production Loom Manager	Amber Production Loom
25.	Mr. Nayan Singadu	Production	KI Main office (production dept)
26.	Mr. Rajendra Dave	Production	
27.	Mr. Dilip Kanaria	Production Manager	
28.	Mr. Kewal Gadhiya	IT Reform Implementation Officer	
29.	Mr. Neilesh Kanpariya		
30.	Mrs. Raksha Rathore	Artisan (Spinner)	KI Main campus (Shed)
31.	Mrs. Arti Civagela		
32.	Mr. Pramod Bhai Shivprasad Pandya	Secretary	KI Shop
33.	Mr. Vallabh Khodabhai Lakhani	Secretary	KI Office
34.	Mr. Davendra Kumar Ramneek Shankar Desai	Chairman KVIC head office (2014)	

35..	Mr. Tripathi		KVIC, Bikaner
36.	Y.K. Baramatikar	Director	KVIC Mumbai State office
37.	Ram Dular Ram	Assistant Development Officer (ADO)	KVIC Mumbai State office
38.	Sidram Shankarrao Kumble	Assistant Development Officer (ADO)	KVIC Mumbai State office
39.	Mr. N. Deshpandey	Chairman Trustee	MKGS, Main Campus, (Nanded)
40.	Mr. Dinkar Srinivas Borikar	Trustee	MKGS, Main Campus, (Nanded)
41.	Mr. Ishwar Narayan Bhosikar	Secretary	MKGS, Main Campus, (Nanded)
42.	Mr. Rajeshwar Kashinath Swami	Accountant (Main communication Person)	MKGS, Main Campus, (Nanded)
43.	Mr. K.N. Choudhary	Cashier	MKGS, Main Campus, (Nanded)
44.	Mrs. Surekha Srikant Sarodaya	Junior Clerk / Accounting Dept	MKGS, Main Campus, (Nanded)
45.	Mr. Gopal Ramchandra Ratnapareeki	Computer Operator	MKGS, Main Campus, (Nanded)
46.	Mr. Mahabaleshwar Mathpati	Manager	MKGS, Central Store, (Nanded)
47.	Mr. Narayan Madhav Challewad	Manager	MKGS (Kandhar)
48.	Mrs. Mahrnisa Sheikh Mukdoom	Artisan (Weaver)	MKGS (Kandhar)
49.	Mrs. Nazira Begum / Miza Fakra Beg	Artisan (Weaver)	MKGS (Kandhar)
50.	Mrs. Raisabi Sheikh Jilani	Artisan (Weaver)	MKGS (Kandhar)
51.	Mrs. Rupin Bahen Narsimhrao Kamle	Artisan (Foot Spinner)	MKGS (Kandhar)
52.	Mrs. Prayag Bai	Artisan (Foot Spinner)	MKGS (Kandhar)
53.	Mrs. Safai Monisa	Artisan (Foot Spinner)	MKGS (Kandhar)
54.	Mrs. Savita Rajendra Bedra	Artisan (Foot Spinner)	MKGS (Kandhar)
55.	Mrs. Kalavati Shopa Damovale	Artisan (Foot Spinner)	MKGS (Kandhar)
56.	Mrs.Keodbi Ashantra Vagmare	Artisan (Foot Spinner)	MKGS (Kandhar)
57.	Mr. Vijay Baburao Borphole	Manager	MKGS (Ausa)
58.	Mr. Vivek Vijay Kumar Deshpandey	Cashier / Accountant	MKGS (Ausa)
59.	Mr. Sachin Basoraj Jojan	Trainer Weaving (Jobber)	MKGS (Ausa)
60.	Mr. Limbaji Martand Devkhade	Trainer (Weaver)	MKGS (Ausa)
61.	Mr. Abzal B. Saiyyad	Artisan (Spinner)	Khadi Karyalaya (Ausa)
62.	Mrs. Rabiya B	Artisan (Spinner)	Khadi Karyalaya (Ausa)
63.	Mrs. Madina B	Artisan (Spinner)	Khadi Karyalaya (Ausa)
64.	Mrs. Daulat B	Artisan (Spinner)	Khadi Karyalaya (Ausa)
65.	Mrs. Yasmin	Artisan (Spinner)	Khadi Karyalaya (Ausa)
66.	Mrs. Mahmooda Yakub Chabra	Artisan (Weaver)	Khadi Karyalaya (Ausa)
67.	Mrs. Nandnagura Shinde	Artisan (Weaver)	Khadi Karyalaya (Ausa)

68.	Mrs. Hazra Bi	Artisan (Weaver)	Khadi Karyalaya (Ausa)
69.	Mrs. Zehra Aiyaaz Kazi	Artisan (Weaver)	Khadi Karyalaya (Ausa)
70.	Mrs. Sultana	Artisan (Weaver)	Khadi Karyalaya (Ausa)
71.	Mrs. Shabana Yusuf Kazi	Artisan (Weaver)	Khadi Karyalaya (Ausa)
72.	Mrs. Meena Vinayak Soltake	Artisan (Weaver)	Khadi Karyalaya (Ausa)
73.	Mr. Mangal Khandu Shinde	Artisan (Weaver)	Khadi Karyalaya (Ausa)
74.	Mr. Dnyansa Soturke	Suprintendent	KKGS (Udgeer)
75.	Mrs. Shakuntla	Clerk	KKGS (Udgeer)
76.	Mr. Mubarak Bade Sahab	Technician	KKGS (Udgeer)
77.	Mr. Azmuddin Rahmuddin Kazi	Trainee, Technician	KKGS (Udgeer)
78.	Virendra R. Pandey	Manager	Showroom, Mumbai
79.	Mr. Suresh Kishan Rao Sutar	Secretary	KKGS, Ausa
80.	National Flag Production Manager		
81.	Gulam Hussain	Director	KVIC Lucknow State office
82.	Salauddin	ADO	KVIC Lucknow State office
83.	Mr. Meva Ram Katiyar	Chairman	KI Main campus
84.	Mr. Satyandra Singh	Secretary	KI Main Campus
85.	Mr. Santosh Kumar Savita	Production Centre Manager	Main Center office
86.	Mr. Bimal Kumar Pandey	Assistant Manager Production	Main Center office
87.	Mr. Ram Lal Sahu	Cashier & Trustee	Main Center office
88.	Mr. Santosh Kumar Singh	Manager	
89.	Mr. Alok Katiyar	Assistant	
90.	Mrs. Sita Rani Mourya	Artisan (Spinner home / shed)	Centre
91.	Mrs. Urmila Devi Mourya	Artisan (Spinner)	
92.	Mrs. Seema Devi Mishra	Artisan (Spinner)	Ikari, Fatehpur
93.	Mrs. Shailesh Shukla	Artisan (Spinner)	Ikari, Fatehpur
94.	Mrs. Nanki Maurya	Artisan (Spinner)	Ikari, Fatehpur
95.	Mrs. Sangeeta Devi	Artisan (Spinner)	Ikari, Fatehpur
96.	Mrs. Usha Retash	Artisan (Spinner)	Ikari, Fatehpur
97.	Mrs. Urmila Retash	Artisan (Spinner)	Ikari, Fatehpur
98.	Mrs. Bishan Devi	Artisan (Spinner)	Ikari, Fatehpur
99.	Mrs. Taravati Mourya	Artisan (Spinner)	Ikari, Fatehpur
100.	Mrs. Uma Devi	Artisan (Spinner)	Ikari, Fatehpur
101.	Mrs. Sarla Vishwakarma	Artisan (Spinner)	Ikari, Fatehpur
102.	Mrs. Manju Devi	Artisan (Spinner)	Ikari, Fatehpur
103.	Mrs. Abhilasha Singh	Artisan (Spinner)	Ikari, Fatehpur
104.	Mrs. Chanda Devi	Artisan (Spinner)	Ikari, Fatehpur
105.	Mrs. Neelam Sharma	Artisan (Spinner)	Ikari, Fatehpur
106.	Mrs. Ram Saheli	Artisan (Spinner)	Ikari, Fatehpur
107.	Mrs. Urmila Gand	Artisan (Spinner)	Ikari, Fatehpur
108.	Mr. Baliram Yadav	Secretary	GSS, Fatehpur
109.	Mr. Prem Singh Sengar	Secretary	Kanpur, UP
110.	Mr. Ram Vilas Mishra	Supervisor	Kanpur, UP
111.	Ms. Mani Nigan	Fashion Designer (Kargha)	Kanpur, UP
112.	Mr. Sarjan Singh	Tailor Readymade Department	Fatehpur

113.	Mr. Anandi Lal	Trader of KI; Central Store Manager at Sri Gandhi Seva Sadan, Bayana, Bharatpur	Fatehpur
114.	Mr. Kundan Lal	Trader of KI; Central Store Assistance at Sri Gandhi Seva Sadan, Bayana, Bharatpur	Fatehpur
115.	Mr. Deepak Sahu	KI Customer Social Worker / Involment in Politics	
116.	Mrs. Khushunda	Customer (Housewife)	
117.	Mr. V.K. Nagar	Director	KVIC, Haryana
118.	Mr. Suryakant Mishra	Assistant Director	KVIC, Haryana
119.	Mr. Guru Prasad Deval	DO	KVIC, Haryana
120.	Mr. Amarnath Singh	ADO	KVIC, Haryana
121.	Mr. Jagat Singh Hooda	ADO	KVIC, Haryana
122.	Mrs. Renubala Jain	Superintendent	KVIC, Haryana
123.	Vijay Kumar	Chairman	KVIC, Haryana
124.	Pawan Kumar Garg	Secretary	Khadi Mandir, Haryana
125.	Laxmi Kant Pandey	Godown Manager	Main Center
126.	Himmat Singh	Assistant Accountant	Main Center
127.	Laxmi Chand	Manager (Weavers)	Main Center
128.	Radheyshyam Yadav	Accountant	Showroom
129.	Krishna	Tailors (at home)	Main Center
130.	Kanti Devi	Tailors (at home)	Main Center
131.	Poonam Rana	Tailors (at home)	Main Center
132.	Shimla Devi	Tailors (at home)	Main Center
133.	Bhanupriya	Tailors (at home)	Main Center
134.	Baby Chouhan	Tailors (at home)	Main Center
135.	Nisha Chouhan	Tailors (at home)	Main Center
136.	Kanti Devi	Tailors (at home)	Main Center
137.	Bhanupriya	Tailors (at home)	Main Center
138.	Raghuveer Saini	Secretary	Jind
139.	Naveen Saini	Secretary	Jind
140.	Praveen Saini	Secretary	Jind
141.	B.H.Anil Kumar	B.H. Anil Kumar	Jt. Secretary & CEO

Note: Informal discussions and conversations were also made with 30 more people.

(Local people living in the area; customers and some artisans who didn't want to share their details)

Source: Author

Appendix 5

List of recommended khadi institutes

Recommended list of best cotton khadi institutes suggested by KVIC Head Quarter in Mumbai.

Best Khadi institutes in Cotton Khadi		
I	Rajasthan	Notes
1.	Kshetriya Khadi Gramodyog Samiti, Dausa	Case study 1 in this thesis
2.	Khadi Gram Sansthan Vikas Samiti, Bassi, Jaipur	
3.	Shri Gandhi Seva Sadan, Bayana Dist-Bharatpur	
4.	Rajasthan Khadi Sangh, Khadibagh	
5.	Tonk Jila Khadi Gramodyog Samiti	
II	Gujarat	
1.	Saurashtra Rachnatmak Samiti, Rajkot	
2.	Shri Yogitiripa Khadi Gramodyog Trust, Ahemdabad	
3.	Swami Vivekanand Khadi Gramodyog Trust, Ahemdabad	
4.	Surendranagar Jilla Sarvodya Vikas Mandal, Joravarnagar, District- S.Nagar	
5.	Shree Halwad Shongaphora T.Gram Seva Manadal, Rajsitapur, Dist. S.Nagar	
III	Maharashtra	
1	Marathwada Khadi Gramodyog Samiti	Case study 3 in this thesis
2	Solapur Jila Khadi Gramodyog , Uttar Pradesh	
3	Nag Vidarbha Charkha Sangh, MUI	
4	Gram Seva Mandal, Gopuri	
IV	Uttar Pradesh	
1	Gram Seva Sansthan, Gandhipath, Fatehpur	Case study 4 in this thesis
2	Swarajya Ashram, Sarvodya Nagar, Kanpur	
3	Kshetriya Shri Gandhi Ashram, Hazratgari, Lucknow	
4	Kshetriya Sri Gandhi Ashram, Barabank	
5	Kshetriya Sri Gandhi Ashram, Sitapur	
V	Haryana	
1	Gayatri Khadi Avam Gramodyog Samiti, Jattan Gate, Karnal	
2	Haryana Khadi Gramodyog Sangh, Gharaounda, Dist. Karnal	
3	Amit Khadi Gramodyog Samiti, Barsa Gate, Karnal	
4	Gram Seva Mandal, Karnal	
5	Khadi Udyog Mangal, District Ambala	

End Note

This is just the beginning of my research in the field of low-tech traditional industry. There is a lot more to explore, and enormous scope to contribute to the literature. Research in this field is highly relevant for the practitioners, especially in developing countries.

I humbly end this thesis by dedicating a song to the artisans. This song is written by a weaver and a famous poet of India to describe the hard work of artisans, spinners and weavers.

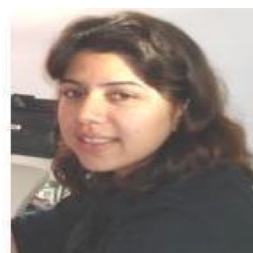
*I weave your name on the loom of my mind,
To make my garment when you come to me.
My loom has ten thousand threads
To make my garment when you come to me.
The sun and moon watch while I weave your name
The sun and moon hear while I count your name.
These are the wages I get by day and night
To deposit in the lotus bank of my heart.*

*I weave your name on the loom of my mind
To clean and soften ten thousand threads
And to comb the twists and knots of my thoughts.
No more shall I weave a garment of pain.
For you have come to me, drawn by my weaving,
Ceaselessly weaving your name on the loom of my mind.*

Kabir Das
Poet and weaver

Resume

Name Rashmi Rai-Rawat
E-mail rashmi.ra.rawat@gmail.com



Selected: Teaching Experience

2015 – 2017 Lecturer, Zurich Business School, Switzerland
2016 – 2016 Lecturer, Cesar Ritz College, Swiss Education Group, Switzerland
2014 – 2016 Tutor, Academia Zurich, Switzerland

Selected: Research Experiences

2017 – 2019 Research Assistant, Chair of Technology & Management (TIM), ETH University Zurich
2008 – 2009 Research Assistant, Swiss Economic Institute (KOF), ETH University Zurich
2005 – 2007 Research & Teaching Assistant, Asia Research Centre, University of St. Gallen (UNISG)
Additional responsibilities: Academic Exchange programme of Bachelor students
- In collaboration with Singapore Management University (Asia Term - HSG)
- In collaboration with Indian Institute of Management Bangalore, India (Asia Context Prog - HSG)

Selected: Other Experiences

2010 - 2010 Conference Support Team, Research for Development, ETH University Zurich
1998 – 2001 Journalist / R&D, Lokmat Newspaper, Rajasthan, India

Education

2020 Doctor of Philosophy in Management (PhD), University of St. Gallen, Switzerland
2006 – 2007 Visiting Scholar, Singapore Management University (SMU), Singapore
2005 – 2006 1-year doctoral seminar course, International Business and Management, University of St. Gallen (HSG), Switzerland
2002 – 2003 Post Graduate Diploma, International Tourism Institute, Lucerne, Switzerland
2001 – 2002 Diploma, International Tourism Institute, Rajasthan, India
1999 – 2001 Master Degree (Major- Economics)
Maharshi Dayanand Saraswati University (MDS), Rajasthan, India
1996 – 1999 Bachelor Degree (Major- Economics)
Maharshi Dayanand Saraswati University (MDS), Rajasthan, India

Selected: Internships / Short term jobs

2012	ALSTOM, Research & Development (R&D), Baden, Switzerland
2011	responsAbility - Social Investment AG, Research & Development (R&D) Zurich, Switzerland
2005	IMC Ltd, Research & Development, Zurich, Switzerland
2004	Maestrani Schweizer Schokoladen AG, Flawil, St. Gallen, Switzerland
2003	Hotel Opera and Hotel Ambassador, Zurich, Switzerland

Selected: Field experiences

2012-2014	Field study for PhD thesis in 5 states of India (different stages); low tech traditional industries
2011	Field trip participation in Madhya Pradesh, India; Organised by BioRe, Switzerland
2006	Organized academic field trips in South East Asia for bachelor students (Collaboration between University of St. Gallen and Singapore Management University)
2005	Organized academic field trips in India (Collaboration between University of St. Gallen and Singapore Management University)
2004	Field trip participation, India; Organised by Swiss - India Chamber of Commerce

Current activities: Associations

2020 – Present	Coordinator - Doctoral Training (Eurodoc)
2019 – Present	Co-President, actionuni der Schweizer Mittelbau (actionuni)
2018 – Present	Board Member & Events Co-ordinator, Academic Association of Scientific Staff at ETH Zurich (AVETH)

Selected: Volunteering experiences

2013 – Present	Volunteer at several organizations in Switzerland and India
1994 – Present	Founder, Roshni Group India (focused on the overall development of children)
2008 – 2012	Red-Cross, Zurich, Switzerland
2006 – 2007	Project Lead, Support the Survivors Fund raising Project to support earthquake survivors of India and Pakistan. Supported by UNISG Asia Research Centre, student association, Swiss Post, Glückskette Schweiz and six swiss universities.
2005 – 2007	Co-ordinator, Social Internships for Swiss university students in India. Supported by University of St. Gallen, Asia Research Center, Asian Student Association, and SDC Switzerland
2008 – 2010	Blinden-Wohnheim Mühlehalde, Zurich, Switzerland
1996 – 1999	National Social Services, Government of Rajasthan, India

Selected: Awards

- 2017 Award for the Alumni of decade given to alumni (Merit list of selected alumni), JG college, Maharshi Dayanand Saraswati (MDS) University, Rajasthan, India
- 2002 Award for achieving highest grades & all-rounder student of the year award, Diploma in International Tourism Management, International Tourism Institute, Rajasthan, India.
- 2001 Award for achieving highest grades in Dissertation – An economic analysis of child labour in Rajasthan. Master's degree in Economics, Maharshi Dayanand Saraswati (MDS) University, India.
- 2000 Award for achieving highest grades in research & survey methods. Master's degree in Economics, Maharshi Dayanand Saraswati (MDS) University, Rajasthan, India
- 1999 Award for All-rounder student for three consecutive years. Bachelor's degree, Maharshi Dayanand Saraswati (MDS) University, Rajasthan, India
- 1998 Award for achieving highest marks in Mathematical Economics. Bachelor's degree, Maharshi Dayanand Saraswati (MDS) University, Rajasthan, India

Selected: Delegate / Scholarship

- 2019 Represented actionuni as a Delegate at Eurodoc; Brussels, Belgium
- 2007 Scholarship Received from Women International Network at Oslo, Norway

Other Interests

Writing short stories, articles and creating puzzles (regular contributions in English and Hindi language publications), teaching, events organization, humanitarian work, traveling & other creative interests