

# Ticker

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# CSR is a Passion not a Fashion Trend

## Thilo Koepppe on CSR in China and the Industry 3.5 concept

by OLIVIA HELVADJIAN

Industry 4.0 focuses on increasing efficiency, quality and flexibility, while adopting cyber connectivity. Where Industry 4.0 puts CPS (cyber-physical systems) in its focus, the Inclusion Factory's Industry 3.5 concept focuses on human talents namely Talents with Disabilities (TWD). The aim is to provide challenged individuals with the training to produce demanding cable harnesses and assemble a variety of products using specially designed fixtures and machinery.

The Inclusion Factory is an innovative example of consolidated action; as part of the Taicang roundtable, more than 80 partners joined forces to establish the workshop, which is the first institution in China to offer a meaningful employment solution to individuals who are intellectually or physically challenged under real market conditions. The workshop is based on a model established in Germany by Lebenshilfe e.V. and focuses on becoming an integral part of the industrial value chain of companies operating in and around Taicang.

GC Ticker team met with Thilo Koepppe, chairman of the board of directors, Taicang Inclusion Factory to further discuss CSR in China and the Industry 3.5 concept.

**What are the challenges and advantages of beginning CSR projects in China?**

It's hard to speak about this topic generally but I can tell you a little from our experience. The main challenge of starting a larger scale CSR project was certainly getting the local authorities intrigued by the concept and its potential impact. For us, the most important assets are the employees. Without the help of the local disabled federation we would not have been able to identify our Talents with Disabilities. Furthermore, we required governmental support to provide our employees with regular work permits and social insurance coverage. Consequently, the backing of the local authorities is key. Once those hurdles were successfully negotiated, the CSR engagement became highly rewarding due to amazing public interest helping us tremendously in increasing the number of supporting organizations.

We have also met with substantial challenges that come along with the lack of awareness towards people who are intellectually or mentally challenged – their abilities, their aspirations and their rightful place in society.

We strongly believe that challenged people have the desire to be, and are capable of being, fully integrated into an industrial working environment

and consequently into our society. In order to lead such change, we developed and applied a unique concept of specialized coaching & mentoring methodologies, smart semi-automated workplaces and an innovative shop floor coaching system, which enabled us to achieve what was commonly perceived to be impossible: challenged people manufacturing at productivity and quality levels being comparable or even better than known from the "normal" industry.



Honestly, another challenge we underestimated, is striving to become respected as a full-value, quality supplier to the industry. Companies keep approaching us with good intentions by considering us with some simple work tasks. However, thanks to our special training and workshop setup we are capable of doing far more and in fact need to focus on high-quality value-adding jobs in order to become financially sustainable. To change this mindset of our customers has been taking us far longer than expected. Luckily it has started to change. Our ever-growing list of multinational customers and numerous inquiries from large German enterprises operating in China is the best evidence.

This still doesn't mean that we are safe from market fluctuation but we are sure with time we will have created a solid foundation resting on multiple pillars.

**This issue of GC Ticker focuses on AI and Industry 4.0. The Inclusion Factory has its own version called 'Industry 3.5' can you explain a little bit about it? Where do you see the differences between Industry 3.5 and Industry 4.0?**

The core of our Industry 3.5 concept are TWD's...our Talents with Disabilities. After picking their own task from a visual planning system

a smart RFID-supported supervision system mentors our TWDs all the way from raw material to the finished product, eliminating handling errors. Top quality and high efficiency is achieved by specialized and intelligent working stations combined with visual aided controls.

In the Industry 4.0 concept, Cyber Physical Systems (CPS) are communicating with each other making decisions without human interference. Here we have a clear differentiator to our concept Industry 3.5. The shop floor management system at the Inclusion Factory is communicating with CPS (e.g. RFID tagged material) in order to provide information to our workers supporting and coaching their manual work. Industry 3.5 is doing away with error-prone training on complicated work instructions. In fact, conventional work instructions are not required anymore. Side effect: training of workers is much more efficient raising productivity to new levels while providing the flexibility we need. Applied in the industry, our system is also a powerful instrument to deal with high blue-collar worker turnover as lesser skilled workers are coached and supervised by the system to carry out complex manufacturing processes without long and expensive training periods.

#### How did the Inclusion Factory develop the Industry 3.5 concept?

As the Inclusion Factory is a cash-flow managed non-profit organization, it soon became very obvious that we have to successfully deal with conventional free-market challenges such as high efficiency, top quality, unprecedented flexibility, assuring safer workplaces, allowing quick reactions to changes in demand and providing traceability to our customers, while at the same time remaining cost competitive. Considering the fact that our employees are intellectually as well as physically challenged, this became a major task that required an innovative solution. Consequently, we had our supporting partner MDT designing and building all our special fixtures and machinery and developing the Industry 3.5 concept with the constant feedback from our Job Coaches in order to create a system, which we believe is imperative to achieve financial sustainability of our project.

#### Could other companies implement something similar?

Other companies could certainly implement the Industry 3.5 concept and are more than welcome to come and visit us to see it with their own eyes. The system is installed while we are putting continuous effort into optimizing the software part using A-Plan 12 for production tasks and resource planning and into fine-tuning the unique language-free symbol touch user interfaces we develop for Industry 3.5.

Companies could and in fact should also implement an inclusion strategy in their operations as they will substantially benefit from it – in the form of government subsidies and tax incentives, which result in savings up to RMB 500,000 per year for a small-medium size company and many millions for large scale manufacturing companies. On top of that comes great PR for the company thanks to its Corporate Social Responsibility involvement.

However, the main challenge is not to provide the suitable infrastructure such as specialized workplaces and disabled-friendly access to locations such as toilets and canteens. The complexity lies in the adequate coaching and fostering of the challenged employees while facilitating the societal inclusion in the existing environment by specially trained job coaches.

#### What could be done to support the opening of additional workshops in other cities across China?

Numerous representatives of local authorities from other regions in China have been visiting the Inclusion Factory showing great interest in copying our concept. We are happy to support those initiatives, but as mentioned earlier the success of the concept stands and falls with properly trained Job Coaches being able to handle psychological, technical, managerial as well as commercial challenges. To our knowledge, such comprehensive education is not yet available in China.

Consequently, we decided to extend our offerings by two unique services. First, our Job Coach Academy, which will train future Job Coaches for making our concept replicable and secondly our Inclusion Advisory, which will support companies in including physically challenged individuals into their operation by sharing our recruitment and assessment experience, training the future employees in our workshop, conducting seminars for middle management and offering constant guidance and support from our experienced staff.

#### Could the Inclusion Factory and similar industrial workshops have a sustainable business model?

You are touching a sensitive point here. Most of the Lebenshilfe workshops in Germany would not be sustainable without donations and cash injections. At the Inclusion Factory we have the aspiration to become a sustainable business model. Industry 3.5, trainings of professional Job Coaches and the Inclusion Advisory Service will play a major role while advancing on our path towards becoming a sustainable business model.

I would like to take this opportunity and thank all our great supporters and numerous partners who are the backbone of the Inclusion Factory. We have been thrilled by the outstanding support given by our cooperation partners providing start-up funding, our production partners entrusting us with orders, as well as our service & consulting partners not getting tired in accompanying us on our journey to become a social enterprise with a real impact.

#### What do you predict for the development of CSR projects in China in the next 5 years?

As long as CSR is not seen as a fashion trend but a passion, respective projects will gain significance for years to come. Companies will put increasing effort into becoming a responsible member of the local business community. However, I strongly believe that for a sustainable engagement, CSR has to create economic value for an organization. This value creation has to be identified and driven by the top management. Local regulations and incentives are already in place to make CSR economically attractive...organizations just have to be willing to develop concepts creating a sustainable win-win situation.

#### Mr. Koepe thank you for speaking with us.

Thilo Koepe is the chairman of the board of directors at the Taicang Inclusion Factory. If you would like to get inspired, make a real impact on the society, improve your company CSR image, and at the same time gain your most reliable and top quality supplier or find out more about the Taicang Inclusion Factory please contact General Manager Nadav Ben Simon via Mobile: +86 138 1292 7532 or Email: nadav.bensimon@inclusion-factory.com