HRD DILEMMA case study solution

Brand: Mehta Solutions
Product Code: case17
Weight: 0.00kg

Price: Rs500

Short Description
HRD DILEMMA case study solution

Description
HRD DILEMMA

Sukumar Vyas read the message on his E-mail, It was an anxious and urgent message from Sudeep Rai, the vice-president of human resource development (HRD) at Trifle India Ltd. (TIL). It read : "TIL is downsizing in a big way, and this comes as a shock to me. It was not on the agenda when I accepted their offer, and I am wracked by a tremendous feeling of despair over this exercise. The agitation I am feeling is straining my objectivity. I need to talk to you urgently,•,

Vyas pondered for a minute. Rai's inner conflict was not alien to him However, he also knew that Rai would have to experience this conflict if he had to find a solution. Vyas's message back to Rai read: " I know your feeling. But you need to sift anger from concern. It can be debilitating. Do not react. You need to respond. There is no value in pitting `what was' with `what is'. You are at TIL and there is a development metaphor in downsizing too, if you look for it. I will now speak to you on Saturday, 10 p.m."

Rai read the message with disappointment. He had hoped that his former professor and guide of 15 years would once again provide him with some much-needed light on his new dilemma. His feeling of disappointment with TIL was overwhelming. When he left Keelo India to join TIL, there were many more changes to cope with than just a new job in Mumbai. For one, he was leaving behind his hometown, Bangalore, where he had lived all his life. However, he had made the change because the challenges before him at TIL, a multi-product company which manufactured processed foods, tetra-packed beverages and agro-chemicals, were much more exciting than at Keelo, which was in household hygiene products.

TIL vice-president (HRD) Noshir Munsiff was leaving to take up an overseas posting with the parent company. Rai, had been personally recruited by Munsiff and the chairman, D.N. Neogi. Munsiff had said that TIL was about to double its turnover, and that new plants and diversifications were planned.

Rai got his first shock while he was still serving his notice period at Keelo. Neogi called him to say: "Rai, what I am going to tell you now may change your decision to join us, but in all fairness, I must inform you that we have decided to hive off our beverages division." For Rai it was a major jolt, but having taken a decision to join TIL, he decided to stick by it—though he did feel a little bit despondent at having to start a new job with retrenchment.

The second shock came just two months after he joined TIL. TIL's processed foods business, which manufactured ketchups, canned vegetables and jams, was going through a severe crisis, and business economics demanded that the company either close down or downsize its Sewri plant. The plant, which employed some 1,200 workers, was low on productivity and the cost of production was very high.

Rai could see it for himself. A plant that worked at 45% capacity and paid between Rs. 9,000 and Rs. 10,000 per worker could hardly be economically viable. Besides, the second processed foods plant at Nagpur, a reference point, was fully automated, and the low wages and tax benefits that came with being In a backward area rendered the unit cost of production significantly lower. And during his second month at TIL, Rai sat through a management committee meeting which decided that the workforce at Sewri be halved in the next two years.

The severity of the plat* came as a rude shock to Rai. He had barely begun to come to terms with the hiving off of the beverages division, and he had the downsizing to contend with, He wrote to Vyas again: "Somehow, HRD guys like me believe that development is the metaphor we should work on, not asking people to leave. That seems negative. I came in anticipating the retrenchment of 600 people of the beverages division. But now it looks like 700 people."

Further, Rai had very serious misgivings about the management's attitutde to the business situation. The economics of the Sewri plant was not the issue. What angered him was, what were the likes of Munsiff doing all this while?

Did they not see the symptoms all these years? Where was risk management then?

On Saturday when Vyas called, an angry Rai said: "Is this what Mumbai is all about? Mumbai, which produces terrific professionals? How am Ito buy that when I am facing the rot cif 14 sears, bred by the very same hyped-up Mumbai professional?" Vyas heard him through patiently. He knew where Rai came from, he knew that feeling, but he also knew that it had to be managed. So he said: "Start at zero base, Rai. Images, perceptions and cultural handouts are not relevant in your pursuit of finding a solution. The past had reasons and probing into them now will offer n o solution for what you need to do. Channel this anger into concern."

Fortunately for Rai, the Sewri workers took the call for downsizing well. They were aware of the poor productivity of the plant which produced jams, jellies and ketchup. At the same time, Mumbai was recovering from a spate of communal riots. Many areas were still under curfew, shops closed early and sales of products like jams and jellies, which were not essentials,dropped significantly. Dealers cut back on stock levels. Production of the tetra-packed fruit juices also dropped, as their shelf-life was short. The

Sewri plant worked only three days a week, and the rest of India was served by the Nagpur plant. And this scenario provided the unwitting context to forcefully sell the downsizing to the workers. The riots served as a catalyst, and the timing was opportune to discuss the non-viability of the plant.

Rai started on a structured communication plan where he spoke to the union, the workers and supervisors on the cost structures at Sewri and Nagpur and explained the strain on the bottomline, the economics of high production cost, etc. But they threw it back at him, pointing to the 118 NEs and air-conditioning, even the innumerable teas that were served at the plush head office at Nariman Point. But Rai had to go beyond reactivity. He realised that in a situation of downsizing, the company needed to exhibit an effort at cost reduction.

But the union has other points to make. Said a supervisor: "You are the management. You run the business. Why did you let things come to this? If numbers increased, it was in the context of an anticipated growth in markets and sales. Why didn't your strategies work? Why are you making us pay for your tardy management and vision? If we are working only three or four hours, and productivity is low, why did you not precipitate the crisis sooner?

Why didn't you question the productivity?" Rai realised that, politically, this was a correct statement. The efforts that the company had made were not sufficient in their view, because productivity had never been an issue in the past. Until four years ago, sales were booming, and television advertising was frenzied. Then came the tomato crop failure, followed by a Food & Drug Department investigation into the processes used at Sewri leading TIL to shift a significant part of the production to Nagpur.

"Our accent on productivity was not forceful enough," said Rai to Munsiff. "It is one thing to say increase productivity, but quite another to say, `If you don't, you'll be out of job." But Munsiff was nonchalant. He said: "Rai, they will give you 10 other reasons. Are you going to dissect all that, or sell the closure? They have to go, so work towards it."

On the other hand was the sale of the beverages division, which produced flavoured milk and fruit drinks. In spite of doing well, the brands continued to be regional. The product had failed in the north, where the market leader was headquartered. Just as plans were being finalised to promote the brand in the south, the changed economic environment brought in new established players from overseas, rendering the sustenance of the brand difficult.

But Rai was not convinced that the decision to hive off the business was opportune and felt deeply disturbed by the sale. Once again, Neogi and Munsiff offered business and market economic reasons to justify an early exit from the business. If that were true, thought Rai, why had TIL not evaluated the product before it had invested in it?

Now it was left to him to not only lay off workers at the Sewri plant but also to bid adieu to a young division bursting with energetic youngsters. While this was not how he had expected his new job to begin, what really bothered him was the way the sale was structured. The terms of sale of beverages division to Blue Cow International, a Swedish company which had recently struck an alliance with a large Indian company, was a tricky one. For one, Blue Cow had insisted on taking the entire staff of the beverages division as part of the deal. However, what had not been highlighted were the incompatibilities in the grade structures in the two organisations. Thus, for instance, the grade C jobs (managers) at TIL, were being fitted in grade D jobs (assistant managers) at Blue Cow.

Rai also dreaded how he was going to handle the situation, when he was already faced with a hostile staff that felt they had not been taken into confidence.

So it was not surprising when Utpal Ghosh, the area sales manager, asked: "You decided how the assets would be transferred, but how come you never gave us a thought? Should not we have been told about this earlier? And when you finally inform us, it is only after the final decision has been made and the modalities completed."

The real problem arose when Blue Cow sent letters of appointment to the TIL beverage staffers, detailing the grade and position. Arup Khanna, a management trainee (MT) wife) had only recently been confirmed in grade C at TIL. found that at Blue Cow he would be placed in grade D. Thinking this was some kind of mistake, he called Biju Tripathi, the

HRD vicepresident at Blue Cow, and asked for a clarification. But Tripathi contended that the job class of the grade C staffers, at TIL compared with Blue Cow's

Grade D — and that, as an MT, that was where Khanna fitted. Khanna, who had armed himself with all the ground information at Blue Cow, pointed out that its MTs were in fact confirmed in grade C. Replied Tripathi: "Only if the training has been acquired at Blue Cow. Every other training is discounted by us and qualifies only for grade D."

Khanna was dumbstruck. This meant that his two years of training at TIL were being struck off his career records. Secondly, grade D at Blue Cow was in fact a promotee grade, which was basically meant to provide mobility for clerical staffers. Therefore, his education at a premier management school in Mumbai was effectively being thrown into the waste bin at Blue Cow! Khanna protested to Rai: "This is ridiculous! What were your paradigms in selling this division? How did you attempt to protect our careers?"

Rai knew there was not much he could have done For the terms with Blue Cow had been agreed upon long before he had come on board—and worse, TIL had agreed to hand over all the staffers of the beverages division. What this also meant was that those who dissented with Blue Cow's offer could not be retained by TIL. "Therefore, where did that leave me with any option?" asked Rai of Vyas. "And look at the deal itself. It doesn't even address the basic issues of grade compatibility. Employees are not worried about equity in salaries, especially when you are talking of a sale to a blue chip like Blue Cow. What they do want is to maintain the equities of their position in the new company. And this factor has clearly been ignored by both TIL and Blue Cow!"

Vyas could see from Rai's narration that his feeling of hurt was more due to the fact that he had not been involved at the negotiation stage. He said to Rai: " I somehow feel this situation is not avoidable, nor could you have rendered it any different. Such strange pacts are somehow a function of a deal itself. In this case as I can see it, Blue Cow needed your staff for continuity. But they were not willing to ensure grade compatibility for fear of crowding their own tables."

But Rai felt he would have at least ensured better communication and interplay between the two companies. And in the case of Sewri plant, he felt that it was one thing to shed people because they were incompetent and another to cast them off because they were not relevant anymore. Didn't the corporate mission statement talk of growing with the company, growing and developing managers, contributing to their career and welfare? So how was he to lay off people? There was a clear value to `human resource maintenance,' which was supposed to periodically take stock of organisational needs and shed the audited surpluses in a phased manner, than accumulate fluff and then choke on it.

So he asked Vyas: "Was this crisis not a function of poor management? How come the system did not signal fat deposits? Did the HRD function perform capably all these years? Business trends were made available to the top management staff. If business were staggering, why wasn't a periodic review of resource management done? Did't they look at production resources and decide on rationalisation? Did they not look at the product mixes and decide on a business rationalisation? Then why is the net quotient expressed in over-manning?"

"Because over-manning is the net quotient of poor business strategies," said Vyas. "Over-manning does not happen overnight, just as failures and unviability do not happen overnight. Downsizing is just another euphemism for sacking. If you go beyond the transactional issues, then it is clearly for a greater good, dictated by business economics. Reality is living with this adversity."

However, Rai had still to digest the fact the he had to demolish some structures and build new castles. There was the whole aspect of intrapersonal conflict — of what he was expecting to inherit on joining and what he eventually got. Besides, the HRD function itself was being seen as one aimed at destruction, and he was being seen as the orchestrator. When the net quotient was expressed in people terms, HRD carried the emotional can. The next few weeks found Rai working round the clock at the Sewri plant. He craved for more opportunities to talk to Vyas, but all he managed to do was jot his feelings on his word processor. His diary read: "The dilapidation I am surveying is an accumulation of years of neglect.

Today as surveyor, I am given the task of clearing the rubble. As an HRD man I am seeing the emotions and trauma of 600-700 people, some of whom have been with the company for 15 years. The problem definition is succinct — 'organisational unviability'. And the workers have queued at my door, hoping that a slight of my wrist will produce a miracle which will reinstate them. And some of these workers are saying: "This new man has brought it about. It's his policy." What we transact in my room is final. I have to take them through a computer printout that has arithmetically calculated their net worth. And when they have picked up their cheque, it will be the end of a relationship."

The following week, Vyas was in Mumbai for a workshop on `empathy in empowerment,' when he took time off to meet Rai. "So how goes it with the downsizer these days?" questioned Vyas. Rai smiled with pain writ large over his face and said: " I have learnt to live with this image and I do see some truth in this personification. I have also realised that if an organisation has always empowered the HRD function with strategic thinking and decision-making, over time, it also markets it to the rest of the organisation as one that is relevant and critical. And when HRD gains importance for the first time in a scenario of downsizing, as is the case in TIL, it is natural that the HRD man is viewed with suspicion. Because for all these years TIL had placed HRD only in an administrative role. I often feel very low when I see how the function ifself was illconceived and illequipped to prevent me crisis the company is in today. Tell me, why is the HRD functionary vested with this task? What is the line functionary doing?

Where is the issue of collective responsibility?” Vyas realised that this was the feeling that many HRD managers were facing all over the country, where globalisation was throwing up newer interpersonal and functional conflicts. Every change brings about

unsavoury decisions. Rai's conflicts are a function of the transition phase that India is in, feels Vvas, "a catharsis to evolution".