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FOREWORD

I have great pleasure in releasing this sixth Case Monograph on Value Dilemmas in Business Ethics. It covers ten short cases, useful in teaching a course in Business Ethics.

The cases are written by Dr. Aneeta Madhok, our faculty member in Human Resources & Organization Development. She has both academic orientation & vast real-life experience in this field, which makes the cases in this Monograph useful as classroom teaching material for both full-time and executive-students in Management. The cases cover a wide range of situations, commonly faced by line managers in a typical business organization, where value dilemmas are faced and the decision making is not very easy.

Dr. Aneeta Madhok has prefaced this Monograph by giving "Discussion Leaders Guide", which will help the instructors, using these cases, to really emphasize the key issues involved in the subject of Business Ethics. As mentioned by her, value dilemmas highlight the typical ethical cross-roads that confronts a Manager in his day-to-day activity. Dilemma arises when a person perceives two or more equally attractive or unattractive options, which appear on the surface, equally balanced. But when a pros & cons analysis is done in depth, they no longer appear equal and the balance tilts in favour of one or the other. The process of weighing the options, leads to the clarity of thinking.

I am sure readers will find this Case Monograph of interest and use. Any views or feedback will be welcome.

Y K BHUSHAN
Director

DISCUSSION LEADERS GUIDE

by Aneeta Madhok

Taking a course on Ethics in Business, is not an easy proposition. The first reality you have to confront, is the fact that there is a widespread notion, especially among the young generation, that ethics and business do not go hand-in-hand. The idealism that characterized the post-Independence generation has been replaced by disillusionment and cynicism. These are the times of the LPG generation, where the mantras of Liberalization, Privatization and Globalization, have given legitimacy to success at any cost, in a free-market economy. While I am not against the fact that a free-market economy is essential in today's world, I would like to contribute my mite to awakening an awareness of the high personal costs associated with competition, in a level playing field. In my opinion, most of the time, unethical conduct is a result of a lack of awareness of what are the unintended consequences of actions that might not be strictly in line with what is ethically correct.

Sermonizing and moralizing to the young generation only, has the impact of deepening the cynicism. Do's and don'ts need not be explained to adult management students, who are generally in the age group of 21 to 24. They already know right from wrong. Getting into a philosophizing mode of teaching also has the effect of dealing with things in an intellectual manner and internationalization of lessons is left to chance.

Value dilemma discussions are an excellent modality of bringing into the classroom, the realities of some of the subtle nuances of ethical decision-making. A value dilemma highlights the typical ethical cross-roads that confronts managers in their day-to-day activities. The least you can accomplish is an awareness of the fact that "this also might happen". The discussion of these dilemmas helps clarify and resolve the student's mind as regards his own stances are concerned.

Not only does it help the student as an individual; it also benefits him as a Manager. One of the reasons for widespread unethical behaviour is that managers do not have specific skills for dealing with dilemmas and commitment to results, to precede commitment to values. If the future Manager can be equipped with specific modalities and competencies for thinking through and resolving ethical dilemmas, it will enable the individual to operate from a willingly chosen stance rather than from a willy-nilly one.

Resolving a dilemma seems, on the surface of things, simple. A dilemma arises because the person 'perceives two equally attractive or unattractive options. The ten cases presented in this Monograph are also designed to create this perception. In other words, the two alternatives 'appear' to be equally balanced. However, this is rarely true. In reality, two alternatives cannot be balanced so delicately, that they are equal. The resolution comes by thinking through the pros and cons of all the alternatives till they no longer seem equal and the balance tilts in favour of one or the other. In the process of weighing the options, the student also touches his own convictions and the price he may be willing to pay for taking option or the other. So the procedure, while it seems simple, actually is a very powerful tool for clarification of values.

The following steps are advised. Working through them with each of the dilemmas would be the best way to handle these case discussions. It works better if the case discussions were to take place in a group situation, where opportunities for thoroughly clarifying all possible questions are available in plenty. After dividing the class into groups and distributing one dilemma case study to each group, give them the following steps to go through, for each value dilemma.

Step 1 - List all the possible alternative courses of action

Step 2 - For each alternative, undertake a 'pros' and 'cons' analysis. All points raised here, must be thoroughly discussed and consensus arrived at.

Step 3 - A qualitative discussion which weighs the pros and cons of each alternative. Here special focus needs to be created on possible long-term unintended outcomes of the action, even in terms of what would be the psychological residues of doing things that may be contrary to one's values and codes.

Step 4 - A careful study of the "balance" between each alternative. At this stage, it will certainly seem as though the balance is more in favour of one alternative or the other.

Step 5 - Taking the decision in favour of the alternative that seems to have the most positive outcomes.

1. THE CASE OF MR. RAMESH GUPTA

Mr. Ramesh Gupta had done his schooling in a boarding school, in Allahabad. He was academically a bright student and participated in co-curricular activities of the school, consistently. In fact, he was chosen as the School Captain, during his final year, in the School. After completing his schooling at Allahabad, he did his graduation in Economics from Delhi University and once again, secured First division.

On completion of his graduation, he was very keen for Management education. Though he could not get admission in any of the premier institutions of Management, he was able to secure admission for the MBA Programme at B V B I M Institute of Mumbai. He pursued his studies with utmost seriousness and performed well. When the time for permanent placement came, he got selected by one of the leading consumer product companies of Mumbai, Hindustan Swastik Ltd. (HSL), as a Management Trainee, in the year 1987, on a salary of Rs.2,000/-. Mr. Gupta felt happy with his job and being one of the first MBAs recruited by this Company, looked forward to making a great career.

HSL was incorporated in the year 1919 and in the year 1987, had notched up a sales turnover of Rs.250 crores. The Company was in the process of professionalising its managerial cadre and induction of MBAs as also professionals at senior levels, was a step in that direction. The current CEO, Mr. Shyam Bhatia had stepped into this position, in the year 1984. The changes initiated in the Company, had evoked mixed feelings among its employees. There were some that welcomed the winds of change, whereas the others felt that the Company was setting sail on choppy waters. Mr. Ramesh Gupta, after his initial induction comprising of one month and a front-line sales exposure of around 5 months, was placed in the Product Management Group, as a Management Trainee. Mr. Gupta, at this juncture, was full of hope and confidence and accordingly, he applied himself well on his job, worked hard and more than fulfilled the expectations of his Superior. He was confirmed as a Product Officer on May 11th, 1988 and as an outcome of the organization re-structural exercise, was subsequently re-designated as Brand Executive, in July 1988. He had gone through an appraisal, which was conducted by his boss, Mr. Nagarajan, Marketing Manager and the General Manager, in May 1988, before his confirmation and was rated as good. Some of the remarks in the said appraisal, referred to Mr. Gupta as “very enthusiastic, high sincerity of purpose, ability to get things done, etc.” His areas of improvement were listed as “commercial correspondence” and

“market research”. After confirmation, Mr. Gupta was given independent charge of “Sunshine”, a detergent, which had a turnover of about 10 crores. Due to his efforts, the sales of the particular brand grew at a good pace and the Company was able to meet the contribution targets. In the appraisal exercise conducted in 1989, Mr. Gupta again received a good rating. Some of the remarks were “excellent in co-ordination, high initiative, dedication of job, etc.” This particular appraisal was conducted by the new Marketing Manager, Mr. Seth and the General Manager, Mr. Thomas. Both of them had taken charge only about 4 months back. During the appraisal interview, there was discussion on Mr. Gupta’s future career and it was recorded that for possible future placement, should have at least one year in Sales.

After the 1989 appraisal, Mr. Gupta was given additional charge of a new soap “Snow” and he was given complete responsibility for designing, planning and implementation of marketing plans. Mr. Gupta was very enthusiastic because he felt that he had got exposure to a new product, at an early stage of his career and he was able to prepare the marketing plans as per schedule. In December 1989, Mr. Gupta was called by the General Manager, Mr. Thomas and told that there was a position of an Area Sales Manager in Patna and he would like Mr. Gupta to take up this challenge, as it would help the Company and also provide him the desired overall Sales exposure to his Marketing career. Mr. Gupta was in a quandary, as he wanted to see the fruits of the Marketing efforts of the new product which he had presently initiated and he had also, recently got married and his wife was a teacher in a suburban school. Mr. Gupta, after considerable thought and due to his personal problems, declined the Company’s offer and continued on his present assignment. In the year 1990, the Company went through another organization re-structuring exercise and consequently, Mr. Gupta was re-designated Product Manager, with more responsibilities. His gross salary had multiplied 3 times since his joining the Company and his current gross salary was Rs.80,000/- p.a. Sometime during this year, in one of the Alumni get-togethers, Mr. Gupta happened to come across one of his batchmates, who was nowhere near his professional stature. He was working in another Consumer Product Company, whose turnover at that time was 50 crores and was agog about how the Company had recognized his worth and had given him 3 promotions in a short period of 3 years, and currently he was a Senior Manager, grossing a lakh and ten, with a car and holding charge for the marketing of all the Company products.

Meanwhile, Mr. Gupta continued to perform well as reflected in the latest appraisal for the year 1990, where he received the best ever rating of his career, i.e. excellent. Some of the remarks in his form, referred to as “good at organizing, good at

presentation, highly motivated, etc." Regarding his future career, his boss, Mr. Seth, recorded that Mr. Gupta should continue in the next 1/2 years, in the marketing function and then should move to Sales, for atleast a year before coming back to the Marketing Department.

In the meanwhile, another MBA, Mr. Hegde, who joined in 1986 and who was holding charge of the largest product "Dewdrops", with a turnover of 50 crores, was elevated as Group Product Co-ordinator, in September 1990. This entitled Mr. Hegde to a Company car, in addition to general perquisites. Mr. Gupta had always felt that his performance was, in fact, better than Mr. Hegde's, if not equal and was disappointed that he was passed over.

In December 1990, Mr. Gupta, to his utter dismay, found an advertisement in a leading newspaper, under a box number, advertisement calling for Group Product Co-ordinators. Though the name of the Company was not mentioned, he was clever enough to decipher that it was his own Company, which had advertised.

Mr. Gupta decided to lie low for some time until in April 1991, he saw on the Notice Board that the Company was strengthening its Product Management Function and were pleased to announce the appointment of Mr. Kumar, as the second Group Product Co-ordinator. Mr. Kumar was recruited from a leading advertisement firm and had 2½ years of Sales experience in a total work span of 6 years. Mr. Gupta felt enough was enough. He took an appointment with Mr. Thomas and asked him why his candidature was not considered first, when Mr. Hegde was promoted and now, for a newly created position. Mr. Thomas gave him a patient hearing and felt that he could not really comment on the ratings received by Mr. Gupta, while Mr. Thomas was in the Company. However, Mr. Thomas told Mr. Gupta that the Company's criteria for certain senior positions had been sreviewed and Mr. Gupta was not fully ready to shoulder the higher responsibilities though his case could be reviewed in the forthcoming appraisal, in 1991. Mr. Gupta, not fully satisfied with the response of Mr. Thomas, sought an appointment with Mr. Shyam Bhatia, the CEO, with whom Mr. Gupta had been able to establish an easy relationship, over the years. He mentioned to him that such decisions are normally left to the functional heads and that he normally does not like to interfere with their decisions. He would definitely take up the matter with Mr. Thomas. Mr. Gupta, not hearing anything for about a fortnight from anyone in the Company, has now tendered his resignation and asked to be relieved within 48 hours, after adjustment of all outstanding leave due, within the notice period. His resignation was accepted and as per the reports from the market, he has joined North Star,

which is a major competitor to Hindustan Swastik Ltd., in the capacity of Marketing Manager.

2. EDIBLE OIL PACKAGING

Continued consumer satisfaction from products, both in an absolute and relative sense (with competing products), keeps the sales curve climbing. Consumer satisfaction is reflected in (a) intrinsic quality of the product, (b) in satisfying the promised benefits to the consumer, (c) in the presentation of the product, (d) value for money for what the product delivers and (e) ease of usage of the product for the consumer.

A consumer survey of households in India, revealed the following household practices with regard to edible oils :

1. Both small packs (1 Kg.) and large-sized packs (2 kgs./5 kgs.), were popular amongst Indian households. The purchase of a particular pack, depended upon the disposable incomes and the size of the family.

2. The small packs were often used directly for cooking. The larger packs were not being used directly for cooking. Housewives invariably transferred small quantities of oil into handle-able wide-mouth containers, for ready use. The larger packs were used as the main storage units and the transferred amounts were used directly for cooking.

3. On exploring why this was being done by the housewives, it was discovered that every time oil was used directly from the larger packs (HDPE Jerry Cans), it was impossible to measure out, required quantities and invariably there was an uncontrolled flow of oil. Further, each such operation also resulted in spillage, resulting in messing up of hands and the work area, in addition to the wastage of oil. Oils are considered by housewives, to be an expensive item in the shopping list, is prone to short supplies and is also perceived as a health hazard if consumed in excessive quantities. Housewives, therefore, treated oils with a sense of thrift and caution. The larger packs defeated the felt need of handle-ability, ease of usage and thriftiness of the housewives.

A competitor, recognizing this need, has launched a pack with an elongated neck which largely eliminated the need for an intermediate container. These packs were now getting popular in households.

Health Foods Company marketed its larger packs of edible oils in HDPE Jerry Cans. While a change in packaging can, eliminates spillage and makes the packs more consumer-friendly, as was done by its competitor, it was felt that changing the packaging would mean a larger cost structure and, therefore, an erosion of margin. Further, it was felt that the competitor's product was not popular with the trade because it occupied larger areas of shelf space and invariably lesser units of the competitors' products would fit into the same area of the shelf space, as compared to that of Health Foods Company's products.

3. CASE OF "MOM's OWN" JAM

Rhea was very upset! As the Chief Executive of Mom's Own Jams & Pickles Limited, she was faced with a dilemma. On the one hand, there was an option to continue with things as they were and let the profits roll in, on the other hand, there were certain ethical issues which would result, in having to raise the prices of her star product and face the market upheavals. She wearily put her head down and nostalgically, reflected upon the last ten years of hard work, which had given her all the success, she ever wanted.

She started business then, operating out of a spare room in her house, making a traditional fruit jam, which she supplied in bulk to a nearby five-star hotel. Her special recipe met with so much success, that she was able to launch packaged jam under her "Mom's Own" brand name. Through a judicious market research and planning exercise, she added on to her range of products, items like pickles and chutneys and within a short time span of three and a half years, "Mom's Own" was a leading brand, with a factory-cum-office in Mumbai. Her total turnover for the last financial year, alongwith market share estimates for different product groups, is as follows:

	TURNOVER (Rs. Lacs)	PERCENTAGE OF BUSINESS	MARKET SHARE (ORG. ESTIMATES)
JAMS	93.6	65%	25%
PICKLES	26.2	20%	10%
CHUTNEYS	15.6	15%	14%
TOTAL	135.4		

Six months ago, while on a vacation abroad, Rhea had read about the suspected carcinogenic effects of Chemical X, that was the main anti-oxidant (preservative), she used in her jams. This chemical was the only one of its kind, made in India. It was widely used and legally acceptable all over the country, and also by the other major jam manufacturers in India. On returning home, she had commissioned a research on the possible carcinogenic effects of the chemical, by an independent research body of toxicologists. In their experiments, an experimental group of rats

was fed a daily dosage of 5 grams of the chemical, for six months. At the end of a ten-month period, a significant 15% of the rats had developed the beginnings of a malignant tumour, giving conclusive evidence against the use of that chemical.

A nation-wide search for a substitute chemical, was to no avail. There was only one substitute, which was an imported chemical Y. Usage of chemical Y would result in considerable increase in costs. As a result, the price of her jam would have to be revised upwards by about 30% which would make her 40% more expensive than the next brand. Her market share and customer franchise in the jam segment would be badly hit and before long, she may have to wind up her business.

Rhea was faced with a difficult decision. If she changed over to Chemical Y and raised her prices, while her competitors would continue with chemical X and stay with their old prices, her market share would suffer. If she continued with things as they were, she would be uncomfortable with the idea of using a cancer-causing agent, although there were no legal provisions being contravened in the usage of Chemical X.

4. MENAKA RAO - A NON-PERFORMER

Maneka Rao was the only child of middle-class but progressive parents, in Hyderabad. Her father, who was very broad-minded in his thinking, considered her equal to a son that he always desired but did not have. He put in a great deal of his hard-earned money into putting her through a good Convent school education. When she secured admission at the premier engineering institute, he encouraged her to go ahead and join, although there were initial doubts about whether women can really succeed in a field dominated by men.

Maneka graduated in Chemical Engineering in 1988 and joined Indian Chemicals and Fertilizers (ICF), in their naphtha-based plant at Trichy, although the Company was headquartered at Hyderabad. On the job, she was a willing learner and an average performer. When it came to bringing initiative for on-the-job process improvements and quality measures, she was a bit lethargic. She would do such jobs only when asked to, by her boss and even then her work was always middle-line (meeting job requirements but not excelling in any way). At the end of one year in the factory assignment, she requested a transfer to the Head Office's Project Planning Cell, since she wanted to be near her parents. The transfer request was granted and she moved to her new assignment of Project Planning Engineer, reporting to Alok Mehta (Project Manager), in November 1989.

The new job consisted of providing technological inputs for projects being considered by ICF. This involved preparation of feasibility studies, search for new technologies, negotiations and finalization of contracts, for transfer of technology with foreign collaborators, indigenisation of plant and machinery, and monitoring of project implementation.

The first project Maneka was assigned to, was that of manufacture of a speciality engineering plastic, hitherto not made in India. Within three months of taking this assignment, Alok, in a conversation with Vivek (who was the Vice-President, New Projects), mentioned his problems. His assessment was that Maneka's knowledge of technologies and processes were very superficial. She did not take much initiative in wanting to learn more about technical aspects of the job. However, she appeared to be willing to learn. Vivek thought that they should wait and watch to see if she comes upto the mark. Around this time, Maneka got married and

continued working in more or less the same manner. In his next appraisal (May 1990), Alok noted that the quality of her work needed improving and her time management could be more systematic. Her strong points were "a positive approach and willingness to learn". In the subsequent feedback session, Alok mentioned to her that she needed to learn more about her job and put in more efforts. Upon receiving such critique, Maneka would flare up and assert that she was not at fault and that she had always delivered what was asked for.

The project continued at a hectic pace, suitable technology had been found, negotiations for foreign collaborations were yielding results. ICF finally signed a Memorandum of Understanding with a German company, for transfer of technology for the speciality engineering plastic. Maneka was a passive participant in these high-paced activities. The one area where she had problems, was when she was required to travel all over India, for site selection. She complained of severe health problems and consequent inability to travel for long periods. In January 1991, the project bombed since ICF was unable to get a Government license for manufacture for several reasons. The project was shelved and Maneka was assigned to the project for modernization of the Trichy factory. She continued to report to Alok.

The new assignment involved a great deal of travel, all over India, in search of vendors for new machinery and here again, Maneka was reluctant to travel, always citing her health problems.

At work, Maneka continued more or less in the same manner, doing what she was told and barely achieving the objectives of the year. The quality of her work, however, left a lot to be desired. In May 1991, her performance ratings were due. Alok discussed the issue over with her. He pointed out that although she had completed her assignments on time, the quality of her work was poor, hence he was giving her 'Below Average' rating. She again argued with him and insisted that her objectives were laid out in terms of time only and she had met her time schedules. She should, therefore, get a rating of 'Good'. Together they requested Vivek to resolve the issue. Finally, with Vivek's intervention, an overall rating 'Average' was agreed upon.

Soon after, Maneka submitted a medical certificate from her Physician, which advised her bed-rest for six weeks. She requested long leave on account of the same. Four weeks' leave was granted to her. Later, Vivek and Alok had a prolonged discussion about Maneka's performance over the past one-and-a-half years and her health status, vis-à-vis job demands in the long run. Since the

modernization project for Maneka was on, involved a lot of travel, longer working hours, tight time schedules, they felt that she would not be able to measure up to her responsibilities. Very reluctantly, a decision was taken, to have her relieved from her duties. A few days before she proceeded on leave, they called her in and tactfully explained to her that she should look out for another job, if possible, and the Company would support her in the effort. In the meantime, the Personnel Department was requested to initiate search for another Project Engineer to replace her.

At the end of her four weeks' leave, she resumed duty only to hand in her resignation letter.

5. KRISHNAN - A SUCCESS STORY ABOUT EMPLOYEE CARE

Krishnan was the only son of his parents. Born and brought up in a conservative Madras-based Tamil family, he was an exceptional student. After graduating in Commerce, he decided upon a career in Travel and Tourism. He had plans to do a Post-Graduate Diploma in Travel and Tourism, and work in a Travel Agency till he felt he had gained the experience to start a travel business, on his own.

On completion of his Diploma, Krishnan was selected by the Indian counterparts of the world-famous Bon Voyage travels, as a part of their prestigious 'Executive Trainee' scheme. Bon Voyage India, was headquartered in Mumbai and had branch offices all over India. They operated with two divisions, for domestic and overseas travel. In addition, they provided travel-related services in the form of passport/visa handling, foreign exchange liaison, hotel reservation services and so on. Although his appointment was based at Mumbai, all the trainees were to be sent out to understand the operations of the branches. The first two months were to be spent in the shoes of a Travel Booker, who was the person who would obtain bookings from the clients. This training would be at one of the branches. The next four months, each Trainee would be assigned to another branch, in the capacity of a Travel Executive, who had 4 - 5 bookers reporting to him. At the end of this six-month period, they were slotted to occupy positions of Assistant Branch Managers, in any of the eight branches. Krishnan was hopeful of getting his final posting at Madras, although he did not voice this during any of his interviews or feedback sessions. He joined Bon Voyage on 1st October, full of enthusiasm and looking forward to the challenges of working life.

From the first day, Krishnan excelled in whatever he could do. As a Travel Booker, he brought in a major jump in the business by developing two new corporate clients. The Travel Executive he was reporting to, was full of positive feedback for the bubbling enterprising youngster. During the first three months' stint at Ahmedabad Branch, there were one or two reports from some of the older clients that Krishnan had displayed a bit high-handed behaviour with some junior clerks, in the clients' offices. These incidents were only minor but were reported to Prabhat Kumar, the HRD Manager, at Mumbai. Prabhat did inquire about the incidents, a couple of times but decided to reserve any action for the time-being. If in his next assignment

feedback came in, then Krishnan may need to be counselled but for now, let things continue as they are.

Halfway through the second month of his training as a Travel Booker, Krishnan heard news that his father had taken ill and his only son should be at his bedside in this hour of crisis. He was very perturbed about this and wanted to approach Prabhat about this issue but was not able to get an opportunity. He, however, confided in his Travel Executive that he was hopeful of getting Madras posting, as his father was not well.

At the end of the first three months, the Trainees were required to report to Head Office (2nd January), for a feedback session and to receive a brief for their next assignment as Travel Executives.

Krishnan came to Mumbai on 2nd January, with the heavy burden of his father's illness. As a dutiful son, he felt he should be at home looking after his parents during their time of crisis. Now, he was hoping against hope that his next assignment would be at the Madras Branch. But it was not to be. Prabhat, unaware of Krishnan's problem, announced that he would be going to the Hyderabad Branch, for the next stint. That night, Krishnan resolved to speak to Prabhat, the next day.

When approached, Prabhat sympathized with Krishnan about his father's illness but said that it was too late to change the decision. If only Krishnan had told him of his desire earlier, he would have tried to accommodate him. For now, the positions had been allocated and could not be reconsidered. He advised Krishnan that he should go ahead and report to the Hyderabad Branch Manager. The Company was willing to support him, by allowing him to make STD calls to Madras, if required.

That night, Krishnan got disturbing news from home. His father was going to be hospitalized and needed intensive care. His mother no longer had the strength to take on the entire burden herself and sent an SOS to her son.

The next day, Krishnan again approached Prabhat. Prabhat was very responsive to Krishnan's mood and offered him a couple of weeks' leave and even organized his ticket his ticket to Madras. Krishnan left on the next plane, to be with his parents. For the next ten days, there was no news from Krishnan. On the eleventh day, a telegram reached Prabhat, informing him of the passing away of Krishnan's father.

A quick response to the needs of the employee, enabled a son to be at his father's bedside, at the time of his demise.

6. CASE OF IHPL

Indian Household Products is a 60-year old Company, having established its presence in the consumer product business. It manufactures and markets several products for household use, in the following product market segments. The turnover of the company is around Rs.125 crores.

1. Insect and moth repellents
2. Toiletries (bath soaps, toothpastes)
3. Air freshners
4. Kitchen aids & gadgets
5. Detergents and washing aids
6. Packaged foods

In the past, Deepak, who has been Chief Executive for the last ten years, had always been quick to enter the market with new products. IHPL was well-known for good product quality and in general, a respectable name in the average Indian household.

Part of IHPL's success was due to a well-instituted Business Planning Cell, headed by Sunil. Sunil and his Department had a six-monthly Idea Generation Exercise, which was targetted at bringing forth ideas, for newer products and thus, identifying market opportunities for IHPL. At each such exercise, about 7 - 10 ideas were thrown up and 4 - 5 recommended for market research and feasibility studies. Of these, usually 1 or 2 ideas or products were taken up very seriously and perhaps one idea would find its way into the market.

The last such exercise had thrown up an idea for a product, which had tremendous potential, in the market place. With the re-election of the new Government, family planning and birth control was being given renewed importance in the Indian socio-cultural context. Alongside these, was the worldwide media campaign for safe sex, given the high incidence of STD and AIDS. The Indian market was dominated by down-market condoms, amounting to a value of Rs.325 crores. Also available at

many retail outlets were, expensive smuggled foreign brands, which catered to the up-market and the affluent youth segment. The market size of the smuggled brands, estimated to be around Rs.50 crores.

After a fairly detailed market research study, it was concluded that a range of speciality condoms pitched at the premium segment, at prices marginally below the imported brands would displace the imported brands and a 30% share of the imported brands segment, could be captured in the first year itself, through aggressive promotion and distribution campaign. Given these projections and the fact of a growing market, the idea of producing and marketing premium condoms was by far, the best product idea that the business planning cell had come up with.

It was now for Deepak, to give his go-ahead for project implementation. Deepak considered the facts carefully. On the one hand, there were hard facts and figures assuring good steady profits from the new line of business. On the other hand, there was the softer issue of the corporate image of the Company. Most of IHPL consumers came from traditional, orthodox, middle-class families, where sex and birth control were only talked about in hushed tones. The consumers' predominant image of IHPL was that of a "respectable and traditional company" that catered to the Indian middle-class households, with many products having been used by the families, for generations. The new product was not in line with Deepak's thinking and he felt that it may not find acceptability in the minds of his consumers. Deepak was worried that because of the kind of image that his Company had in the minds of the consumers, the consumers' identity with the Company will get eroded which may eventually impact revenues. Further, personally somehow the idea of marketing condoms does not gel in his own mind. When he raised these objections, the Business Planning Department spoke of floating a separate Company to market this range of condoms. This option also seemed distasteful to Deepak since it was only a way of skirting the main issue of what business IHPL wanted to be in. He, therefore, felt that if at all this project needed to go ahead, it had to go under the IHPL umbrella.

Deepak has called a meeting of his Top Management and the Business Planning Cell, to resolve this issue one way or the other.

7. HOT-N-SOUR SPICE COMPANY

The last few years have seen a particularly steep hike in prices of commodities, in the country. This has been due to unprecedented levels of inflation fuelled by political crises, cost of labour and speculative hoarding. Hot-n-Sour Spice Company was one of the many companies affected by unpredictable raw material prices. Their most popular brand of Hot-n-Sour pure spices had been in the market for almost ten years now. The last four years or so, they had been No.1 in the business, with a market share of 23%. Chilli-Nice, who was their nearest rival, was a near second, with an estimated market share of 17%, with another 5 companies accounting for a total of 20% market share and 40% market share going to unorganized, unbranded pure spices manufacturers.

It had been a long and difficult climb to the No. 1 opposition, largely due to aggressive, shrewd tactics of the Company's late Founder, Seth Popatlal. Ever since his death, two years ago, his son, Suresh, was handling the affairs of the Company. Suresh had brought to the Company, a great deal of professional ethics and a value-oriented way of doing things. Suresh constantly kept his responses finely tuned to the needs of the customer and consequently, improved his packaging, advertising and product mix.

As a result of his intensive efforts, the product range had expanded and grown considerably, and enjoyed wide consumer franchise. Results of a one-year old market survey indicated that the Company was widely regarded as providing good value for money, good quality and excellent packaging.

However, since that period, the commodities' market was hit by unprecedented inflation and Suresh was left with no choice but to announce a price hike with each major fluctuation. This had happened more often than he would have liked, with prices being hiked as much as seven times in the past one year. Handling a price hike was not an easy job. It entailed a massive amount of time and effort, to work

out revised cost estimates, revisions in budgets and financing patterns, getting feedback from marketing people, reprinting of price stickers on old stocks, and so on. Each time the prices had been hiked, the consumer franchise had fallen fractionally. What was worse, was that their competitor, Chilli-Nice had somehow managed to keep prices stable, as opposed to Hot-n-Sour, who had 7 price revisions. Chilli-Nice managed to stay with just two price revisions.

In addition, the frequent price hike had led to an image of "profiteers", taking shape in the minds of the consumers.

Yesterday, he had got the news that the prices of raw material were shooting up again; the costing department warned him that if another 7% price hike was not undertaken soon, the profit margins would be further eroded. The competitor was still stable on his price.

Suresh believed that he must make planned profits. If he did not, his long-term plans for the Company will be under severe stress. His need to protect his margins was, therefore, paramount. Simultaneously, Suresh believed that the raw material price inflation was a temporary phenomena. Sooner or later, the prices would stabilize. Competition will not be in a position to sustain their prices for very long and will be compelled to take price increases, fairly soon. Eventually, he believed that he would not be able to regain the market share and in fact, grow further. However, what bothers Suresh and his Management team, is the image of "profiteers" and the question whether frequent price increases would "put off" the consumer in the long run. Suresh is very conscious of the Company's image and believes that consumer satisfaction is the only route to business growth and prosperity.

8. THE CASE OF "HOME FRESH"

Haji Ahmed Ali was, by profession, a baker. He had inherited a small bakery business from his father, which used to supply bread to most of the neighbourhood. Haji was a hard-nosed businessman, who was shrewd in his operations and tight in his control of finances. He operated out of a one-room baking facility and supplied unpackaged bread, directly to households through delivery boys. For a good many years, he was the only baker, for miles around.

As business grew, he felt the need for branding and packaging his produce. Some machinery was purchased and another unit was set into operation. The distribution network was enlarged to cover shops, in the entire city of Mumbai and the new brand "Home Fresh", was launched.

With the growth in business, standardization of his product became important. Supply of pre-printed food grade wrapping paper, was a critical issue. Haji depended on three vendors - Naresh Lal, Akbar Ali & John D'Souza. Naresh Lal was a hardworking person, who was very dependable, as far as quality and delivery schedules were concerned. He contributed about 10% of supply of wrapping paper. Akbar Ali was a childhood friend of Haji's and supplied about 58%. This was largely because he kept Haji in good humour and delivered at the lowest cost. He went to extremes to keep Haji in good humour because unlike others, most of his business was geared up for supply to "Home Fresh". However, very often his consignments were rejected due to poor quality and his delivery was also undependable. John D'Souza provided the rest 32%. He was also a long-standing vendor and maintained his delivery schedules, and quality parameters.

In the early eighties, Haji retired from the business and handed over to his son, Arif, who was an MBA. At this point of time, "Home Fresh" had a total turnover of Rs.3 crores and a major market share of 40% in Mumbai. Arif had plans for the

business. Some of these included diversification into biscuit manufacture to be launched by the year-end. In order to be able to devote more time to newer markets, he appointed a Business Manager, also an MBA, to look after the bread business. This Business Manager was supported by a Manufacturing Executive, Purchase Executive and a Marketing Executive. The plans laid out for the bread business projected a turnover of Rs.5 crores and a market share of 55%, in the next fiscal year. This meant that production had to be augmented and streamlined, to meet rising demands, alongside the optimal utilization of raw material and packaging material. Elaborate systems were designed to accomplish the same.
The Purchase Executive insisted that all suppliers of raw material should exercise quality control, at their end and stick to delivery schedules. Given this new scenario, it was found that the pattern of supply of wrapping paper went through a major change. Naresh Lal supplied about 20% in the first quarter, 25% in the second quarter and 33% in the third quarter. In contrast, Akbar Ali's supply levels dropped drastically to 32%, in the third quarter. John D'Souza remained more or less stable at 33%.

Since Akbar Ali's entire plant and machinery was geared up to "Home Fresh" supplies, his business suffered. His turnover dropped to Rs.24 lakhs in the first three-quarters from an amount of Rs.45 lakhs for the corresponding period, in the previous year. His plant capacity utilization came down and despite his best efforts, he was unable to procure orders from other sources. He toyed with the idea of laying off some of his workers, to cut his losses but was unable to do so because of the presence of a strong militant union. With his reserves going down, he was finding it extremely difficult to pay the wages of his workers, on time.

Naturally, Akbar Ali was unhappy with this situation. He sought a meeting with Arif. During the course of this meeting, he nostalgically spoke about the good old days, when "all that was required was a call from Haji. Now there is all this new fangled indenting system, which really bogs down the work. The new Purchase Executive does not understand the value of the many years of our association". Arif listened to him patiently and then refrained from making any commitment. He said that, normally he would not interfere in the working of the Business Manager. Whatever operating decisions he took, would be in the best long-term interest of all concerned.

Akbar Ali left Arif's room, still disgruntled about the state of affairs. He decided to talk to Haji, to see if he could help out. Akbar Ali met Haji at home and poured his heart out about how his very livelihood was threatened because of one of Arif's

blue-eyed boys. Haji sympathized with him and promised to see what could be done about it. The next morning at the breakfast table, he spoke to Arif about the issue and said ..... Akbar Ali is a vendor of long-standing. He has looked after us very well. Even today, he bows to me with his fez in hand, whenever he meets me. Why is he being made to suffer at the hands of your Purchase Executive? Make sure, you personally take care of him in future.

Arif has tremendous respect for his self-made father and believes he has a lot to learn from him. On the other hand, Arif also believes that his father is conservative and tradition-bound. These values may not be relevant today. Arif, personally is committed to the philosophy of professionalism and believes that this is the only route to sustained growth. He would, however, not want to displease his father, as long as he is alive.

9. ASSOCIATED CHOCOLATES

Ramesh Sagar, is the owner and Managing Director of Associated Chocolates, a Company incorporated in 1958, in the business of chocolates and confectioneries. The current turnover is around Rs.45 crores, with the major brand 'Fruitnut', having a market share of 60% and amounting to sales of around 26 crores. Ramesh Sagar is a self-taught, self-made man, around 60 years of age and had virtually built the business by himself. Over the last ten years, he had built a core of professional managers through whom he expected to build the organization of the future. He was prepared to diversify into other businesses if good projects could be identified. Ramesh Sagar had a fairly large family of siblings, all of whom depended on him in some way or the other. His immediate family consisted of his wife and two daughters, both married and settled abroad.

Through the late '50s and the early '60s, Sagar used to run the original plant by himself. He knew each of the workers by their first names. Even today, he would respond to wedding invitations from families of his old workmen. In the '70s and the '80s, Sagar had proceeded with setting up two more modern plants, one in the South and the other in the North. Each of these plants produced almost twice, with roughly 60% of labour, than that of the original plant at Mumbai. 'Fruitnut' is produced in all the three plants. The cost of manufacturing 'Fruitnut' at Mumbai was 140%, the cost of producing 'Fruitnut' at the other two locations. 'Fruitnut' produced from Mumbai, mainly catered to the Western markets and contributed a margin of around 5% as opposed to a margin of roughly 16% from the other plants.

The two new plants are located, one on land, on a 99-year lease and the other, on a fully owned land. The plant at Mumbai, operates on land, leased out from a Trust, for 25 years. The 25 years had already expired and the Trust had asked for vacant

possession. Given the Tenancy Laws in the city of Mumbai and the cost of acquiring fresh land at Mumbai, Sagar had decided to overlook the moral angle and decided to get this issue resolved in the Courts of Law. From the lower courts the matter had now, moved to the higher courts and to the best of his knowledge and to the knowledge of his solicitors, the matter would take another five years in the High Court. If he lost at the High Court, he had the option to move the Supreme Court, on some technical issue or the other and have it referred back to the High Court, for further judicial examination. Through all these processes, he would gain another ten odd years. He is aware that the guiding force behind the Trust, is no more and the successors are not as committed to the aspirations of the Trust, as the Founder was. In his mind, he believed that the Trust would tire itself out and will not be in a position to institute eviction, if the issue carried on in the Courts of Law, indefinitely. Meanwhile, he was also involved in some, out-of-court negotiations with the Trust.

The plant at Mumbai, had limited space and had kept adding on to plant capacities, as and when the need arose. Consequently, areas reserved for storage of raw material and packaging material were eaten into and spaces reserved for offices also disappeared in time. The plant and machinery, over the many years, had paid for itself many times over. There were frequent complaints from people working from within the factory, about the inadequate facilities, lack of adequate work spaces and reports of accidents. To an outsider, the factory looked over-crowded, ill-planned and badly laid out. The Factory Inspector threatened to write out bad reports and prosecute the Company, though so far, he had been persuaded to restrain himself. The products emerging from the Mambai factory were often reported to be of bad quality and consumer complaints had begun to mount. Simultaneous loading and unloading operations within the factory was constrained and as a consequence of which, there were large queues of trucks waiting outside the factory. Supplies to the market had become erratic. The Traffic Department of the Police had begun to raise objections.

To Sagar, everything pointed to a discontinuing and closing down this factory, and perhaps opening a new factory in a backward area, in Maharashtra. He also had dreams of making a pile of money by disposing off the disputed property when settled out-of-court. While these were one set of thoughts, going on in Sagar's mind, the other set of thoughts was connected with the employees of the factory. He had emotional attachments with his employees at the factory. They had helped him grow in the initial stages. If he closed down the factory, his employees would be out on the streets and all the loyalty that they had demonstrated through the many years of association would be completely compromised by him. Yes, he could be

generous in the terminal settlements, but would that compensate for the emotional bonds? He felt that his employees would feel completely let-down and cheated. He was also worried about how the workmen in the other units would perceive this action of his. Would they become more militant? Would the Press paint him to be a heartless and ruthless industrialist? Will he lose respect in his social circles? These were the kind of questions before him and he had been unable to decide on this issue, over the past few months. Time seemed to be running out.

10. UNVERSAL ENGINEERING

Satish was the Chief Executive of Universal Engineering Services. As a bright Mechanical Engineering Graduate of 1965 batch, he had set up a small-scale Engineering business, specializing in sub-assemblies, for the automotive industry. Over the years, he had nurtured his Company and had lovingly watched it grow into a robust, healthy organization, with a turnover of Rs.30 crores supplying automobile ancillaries, to a majority of automobile manufacturers in India. With the coming of many Japanese giants like Mitsubishi, Suzuki, Toyota, Isuzu, etc., he had been quick to upgrade his technology and train his people and thus, cash in on a major opportunity.

Over the years, he had developed strong convictions that people were the most important factors in his success.

He considered himself to be a humanitarian person and a philanthropist and was deeply committed to humane values within Universal Engineering Services. He believed that he only needed to take care of people and their needs, and business would take care of itself. He was perceived by others, as sometimes going overboard on these issues.

About five years ago, Satish had interviewed Ashok for the job of a Factory Manager.

Ashok had a brilliant academic record, was a Mechanical Engineer by profession and had worked for about 15 years with Premier Automobiles Limited. He had

proven his technical and managerial worth, and had been promoted twice, to the position to Assembly Manager. At about this point of time, Ashok had begun to feel that he needed to be an entrepreneur, himself. He left PAL to start a small manufacturing set-up, making Hydraulic Brake Systems, which was an improvement over the conventional ones in use. Ashok had imagined that given his reputation within PAL and within the Automobile Industry, he would be in a position to make a major breakthrough as a supplier of braking systems, in the OEM segment. More particularly, since the product that he had developed was an improved version than that was currently in use and also because he was able to price a better system, at a cost marginally lower than the conventional system. To start his new venture, he struggled over one-and-a-half year, before he could get his project cleared from the financial institutions. Then came another struggle of locating land, in an Industrial Development zone, applying for various licenses, power connection, water connection and so on. He ran into rough weather through the construction phase when promised finance from institutions, did not come. He liquidated a lot of his own assets and also borrowed heavily from the market, to complete his project, thinking that the financial sanctions would come through, in the course of the project. That was not always the case. Eventually, he started production about three years down the road. The markets that he thought existed when he started on the project, suddenly seemed to disappear. Inspite of his projects being better and cheaper, he was not in a position to make any breakthrough. Ashok believed in the value of integrity and did not believe in paying speed money or bribing to get his things done. He was also aware that other suppliers to automobile manufacturers, passed on a small percentage to the Purchase Managers. He was unwilling to do so.

Soon, his creditors began knocking at his door and the banks had begun issuing notices to attach the property. Ashok had become a nervous wreck. He had lost all confidence in himself. His values of self-worth were at its lowest ebb. The factory wound up and his Company went into liquidation by about the end of the fifth year.

Meanwhile, his wife, who was an educated lady, took up a job as a Teacher, in the local school and somehow managed to make ends meet, for the family. Ashok's daughter also started contributing to the kitty, as she went to college, by working at part-time jobs. Ashok was a completely broken person. He could not get himself to find another avenue of income. His psychological problems soon began to manifest itself into physical problems. He was treated for myocardial infraction, twice. He was diabetic and a hypochondriac. He had not done a lot of work for over two years.

At about this time, Ashok was referred to Satish, by a well-wisher. Satish went through the complete history of Ashok. On the one hand, Satish was sympathetic to what had happened to Ashok and on the other hand, marvelled at the fact that Ashok had not bent himself to pressures of dishonesty and other such compulsions. Satish saw in Ashok, the spark of a brilliant and enthusiastic Engineer and Manager. He looked at Ashok's positive points, optimistically. He also checked out with PAL and learnt of Ashok's real worth and capabilities. On the basis of this, he decided to offer Ashok, the job of a Factory Manager. There was one problem, however. Ashok's health was not quite upto the mark and he did not clear his pre-employment medical examination. Circumventing the rules of the organization, Satish ensured that Ashok was recruited as the Factory Manager. He believed that Ashok's ill-health, was a result of his unfortunate circumstances and that had something to do with his mental and physical ailments. This was five years back.

During the course of the last five years, on the work front, Ashok had made quite a number of major contributions. He had shown Universal, how to improve productivity through major re-organization of plant and machinery, and plant layout. He had reduced the rejects, significantly. However, also during this time, Ashok had major illnesses. He had remained away from work, on three occasions, each lasting between three and five months, in addition to many other shorter absences. He had not quite fully recovered his feelings of self-worth. Somewhere the fact that he was supported by the rest of the members of his family, seemed to bother him. He had also not quite got over the fact that he was a failure, when it came to being an entrepreneur. Satish, on his part, was understanding and ensured that Ashok got paid during his long absences. Additionally, he ensured that the Company picked all of Ashok's medical expenses, though this was quite outside the Company's policies. He had the Welfare Manager of the Company, visit Ashok in the hospital, frequently. Satish himself visited Ashok in the hospital, once in a while. On one such occasion of Ashok's illness, Satish was abroad. He wrote to Ashok, a get-well letter, which amongst other things said ....

> *"When I started Universal, I had a deep conviction that people mattered more than profits or products. Your work in the last three years had reinforced in me, an immense faith in the ability of people, to overcome circumstantial setbacks. Get well soon, we would love to have you back at Universal".*

Satish had also become aware of the fact, that other people in the Company, including many of Ashok's colleagues, had begun to question the special treatment

extended to Ashok. They felt it was uncalled for. If a person was not fit for work, there was no point in continuing, however, good or competent the person may be.

At the instant moment, Ashok was again in the hospital and Satish was in a major dilemma.

ABOUT DR. ANEETA MADHOK

Dr. Aneeta Madhok is a professional in the field of Business Management, Human Resources Development and Training. Dr. Madhok graduated with a degree in Psychology (Honours) from Delhi University and completed her MBA in Human Resources and Organization Development from XLRI - Jamshedpur. After having extensively worked in all areas of Personal Management and HRD for several years, she undertook doctoral studies and completed her Ph.D. in the field of Managerial Leadership and Work Motivation, in 1991.

Dr. Madhok started offering management consultancy services in February 1992, and has developed a number of innovative training modules for clients, ranging from prestigious multinationals, large and small Indian firms. She has also executed many consultancy projects and assignments, for her clients. Her consulting work involves process improvements, training of resources, systems development and total solutions in Human Resources and Manpower Planning, Training and Management Development, Consumer Behaviour, Personnel and HRD Systems and Personnel Research. Dr. Madhok has also been a consultant to the International Labour Organization and has interacted in several national and international forums.

Dr. Madhok is currently a Full-Time Faculty in Organization Development and Human Resources Management, at the Narsee Monjee Institute of Management Studies. She has received the award for the 'Best Faculty' in Management from Bombay Management Association, for the year 1999. She is Chairperson of the Institute of the Management Consultants of India, the Bombay Chapter and holds life membership of the Indian Society for Training and Development, Bombay Management Association and National HRD Network. She has also completed the Fellowship Programme of Sumedhas - Academy for the Human Context.

Dr. Madhok has to her credit, several articles, case studies and research papers, published nationally and internationally.

OUR CASE MONOGRAPHS :

CASE MONOGRAPH 1 : Cases on **Rural Distribution** based on Project reports prepared by PGDRM, Class of 1997, October 1997.

CASE MONOGRAPH 2 : A Case on **Enron Power Project**, by Rakesh Singh, Lecturer in Economics and Business Environment, NMIMS, November 1997.

CASE MONOGRAPH 3 : Cases on **Management of Human Resources** by Dr. Aneeta Madhok, Professor in Human Resources and Organizational Development, NMIMS, March 1998.

CASE MONOGRAPH 4 : Award Winning Cases on **Management**, by NMIMS Students (1997 - 1998), June 15, 1998.

CASE MONOGRAPH 5 : Cases on **Social Marketing & Communication**, Student Projects completed under the guidance of Prof. N M Kondap, February 15, 1999.

CASE MONOGRAPH 6 : Cases on **Business Ethics & Value Dilemmas** by Dr Aneeta Madhok, Professor in Human Resources and Organizational Development, NMIMS, July 1, 1999.