

**M.Com II**  
**Semester IV**  
**Paper VII Project / Case Studies**  
**Project Report – Business Administration**

A Student has to select a topic of his interest from any functional area of Management/Administration studied under paper I to paper VII in the subject of Business Administration. The assignment of Project Report aims at developing the ability applying the theoretical knowledge to practical business situations and also developing analytical skills among students. A student has to visit a business undertaking/ or unit of business undertakings to collect data and information in respect of the topic selected. The Project Report is to be completed by following the standardised rules and norms of research methodology. A teacher is expected to monitor the student is expected/ required to select the topic in consultation with the teacher and prepare a brief synopsis giving details of the research methodology and chapter scheme.

The proposed topic may be finalized only after the ground work is done by a student relating to a topic on the basis of discussion held in the classroom. This will help to avoid any repetition or duplication of topics.

The students are required to submit duly completed project reports before the month of March every year.

**M.Com II**  
**The list of topics for project work**

The following is the list of selected topics and areas for project work and for the guidance of the students teachers.

1. A study of production process in an industrial undertaking.
2. Plant layout and organization structure of a selected unit.
3. Production Planning & Control
4. Material & Inventory Control-Methods of inventory control
5. Documentation and computerization
6. Quality Circles & TQM
7. Procedure for obtaining ISO certification
8. Stores organization in a large scale organization.
9. Study of consumer behavior in using a particular product.
10. Consumer Relationship Practices.
11. Marketing Strategies.
12. Popularity of particular brand of product.
13. Organisation of Finance Department
14. Analysis of Financial statements of a company for at least 3 years.
15. Working capital management.

16. Analysis of Appropriation of profits for the last 3 years.
17. Study of various Reserves in a particular company.
18. A case study of corporate Merger/Acquisition /Combination from available secondary data like books, journals, periodicals etc.
19. Foreign Exchange transactions in an export oriented business enterprise.
20. Organisation of H.R.M. function
21. Recruitment and selection procedure.
22. Training & Development of Employees and executive.
23. Working conditions, Health & Safety
24. Employee welfare.
25. Study of Industrial Disputes-causes, consequences
26. Employee performance appraisal.
27. Compensation structure
28. A Study of Voluntary Retirement Schemes
29. Workers satisfaction survey.
30. Employee communication.

**University of Pune**  
**M.Com II**  
**Case Study in Business Administration – Paper IV**

**I) Introduction**

The case study is one of the popular pedagogical tools largely used in Management Schools throughout the world. It is a story about an incident or how a business manager or entrepreneur has handled that situation or incident. It is the factual description of the situation prevailing in an organization. Through the case method, a teacher is able to sensitize the students about the real life situations, which exist or could prevail in an organization. As the future managers, how they have to face that situation and take the decision, which may resolve the issue of the organization is being exposed through cases. It is used to assess the theoretical understanding of the subject among the students. Through the case, the teachers and the trainers try to establish the practical application of theoretical knowledge in solving the organizational and managerial problems. It helps the students in their self-Learning process. Through the case, a problem situation is presented and requires the students to assess the facts out alternatives and come out with the best alternative solution for the future course of actions.

**II) Concept of Case Study**

According to Easton (1982), a case is a description of situation... (consting) of a few pages of written description of an actual situation facing an organization... (describing) how the current position developed and what problem a key personality in the case is currently facing.

A case study is formally defined as a written description of actual managerial problems, situations and events.

In fact, the case is the description of a situation that is being faced by a businessman, or an employee, or an organization as whole. This situation requires thorough analysis and appropriate decision.

**III) Following are the major purpose of the case study**

1. To develop basic understanding of various concepts in the subject, its tools and techniques.
2. To develop total perspective of the subject by using the knowledge acquired in the area.
3. To enhance the knowledge, skills, attitude and approaches that would help the individuals to function smoothly in their respective positions in the organization.
4. To develop the skills especially used for analysis, diagnosis, prescription and responsible implementation.
5. To provide opportunity to learn from experiences of the business organization.
6. To provide opportunity to participants to gain confidence in one's own judgment.
7. To Create forum for exchange of experience, ideas and information of participants in formulating and implementing corporate plans and policies.
8. To emphasize the learning of both, the left and the right hemispheres of the brain.
9. To develop communication skills among participants.

**IV) Following are the important skills being developed through the case method**

- (i) Creative skill
- (ii) Communication skills and Presentation skill
- (iii) Self analytical skill
- (iv) Social skill
- (v) Analytical skill
- (vi) Application skill
- (vii) Decision Making skill

**V) There are various types of case studies**

- (a) Analytical case- In this type of case we come across a condition in which the action has been completed and the problem situation has been "solve" While handing such type of cases, the students should concentrate on learning the decision making methods employed by the manager and its evaluation.
- (b) Issue case- In this type of case, we come across a condition in which the problem situation has been unsolved. While handing such type of cases, the students has to understand, and analyse the problem and take the decision to solve the given problems.
- (c) Illustrative case- The basic purpose and function of the illustrative case is to explain or review certain concepts and provide useful information to the students.

**VI) Stages in the Case Study**

- A) How a given case should be attacked and analysed? This question has been asked repeatedly by students of business management. There is no hard and fast rule for the same. Given below are some general guidelines:
1. Identify the main problem and problem areas given in the case.
  2. Extract only the relevant data given for carrying out the analysis.
  3. Find out the reasons for the development of these situations from different view-points.
  4. Discuss the various strategies which the management should have adopted to eliminate or minimize the problems.
  5. Under the given circumstances, discuss the alternative available for obtaining a solution.

6. Evaluate and recommend the best possible alternative (decision) to solve the problem.

As a supplementary reading. Collect as much background information as possible about the industry or business on which the case is based and the environmental conditions prevailing for the same.

There are some experts who suggest that a SWOT analysis should be adopted for a better case analysis and for developing an appropriate strategy to solve the problem.

B) A step by step approach to complex problem solving is also advocated in this context. There appears to be some slight difference in the number of steps involved, but the issue is the same : A group of experts suggests the following steps to solve or discuss a case.

1. Identification and definition of a problem.
2. Analysis of a situation and problem
3. Developing alternative solutions.
4. Evaluation of alternative solutions.
5. Selection of the best alternative solution
6. Conclusion.

## **CONCLUSION**

There is no emphatic right or wrong solution or recommendations for any case study. The problem can be solved in many ways and in a given situation. Only a few of the visible alternative would be relevant or feasible In spite of all the constraints. Case study method is an extremely important tool in imparting skills Creativity and creative skills are most essential for managers. Case studies create thinking power and analytical skills more essentially required at all levels.

### **Additional References for Case Studies.**

- 1) Cases in Management  
Francis Menezes  
Tata Mc Graw Hill Publishing Company Ltd., New Delhi
- 2) Case Studies in Indian Management  
Dr. R.M. Shah  
Jaico Publishing House Bombay
- 3) Case Studies in Management  
Dr. A.B Rao & Dr. P.C. Pardeshi  
Ujwal Growth Bhandar, Pune

1. Godha Engineering Works specializes in the installation of heating and air conditioning equipment in a metropolitan area of about one million people. Although the company usually installs nationally known equipment, it engages in limited manufacturing of certain components needed for commercial installations. Since it was established some forty years ago, the company has earned a reputation for quality work.

Prabhu Lal has been with the company as sales representative for two years. During this period he believes that the company has missed a number of opportunities to obtain lucrative contracts because of the conditions under which he is forced to operate. Particularly in the case of commercial installations, he does not have the authority to make any decision or commitments during preliminary contract negotiations. He has to postpone discussion of price, completion time, and credit terms until after each of the technical experts in these areas has studied the job and made formal commitments. By this time, some competing firm already completes negotiations and gets the contract. Prabhu Lal considers this a continuing problem, and feels hampered.

- a) In what respects do you think Prabhu Lal is justified or not justified in his complaint?
- b) What can be done on a company-wide basis to improve the situation?

2. Harish Bhatt, a very bright and ambitious young executive, was born and raised in Jaipur. He graduated from a local college and married a girl who was his class-mate. Harish then went to Mumbai where he received an MBA. He was now in the seventh-year with Birla Steel Ltd. which was located in Jaipur.

As part of an extension programme, the Board of Directors of Birla Steel decided to build a new branch plant. Bhatt was selected to be the manager at the new plant. He was also informed that if the new plant is a success he would be promoted to a higher post. The location of the new plant was to be decided by an ad hoc committee of which Bhatt was made the chairman. In the committee's first meeting Bhatt explained to the members the ideal requirements for the new plant and gave them one month to come up with three choice locations. When after a month the committee re-met, it recommended the following cities in order of preference: Gurgaon, Chennai, and Indore. Bhatt thanked the committee member for their fine job and told them he would like to study the report in more depth before he made his final decision.

That evening he asked his lovely wife, "Honey, how would you like to move to Gurgaon?" Her answer was quick and sharp. "Heavens no!" she said, "I have lived in Rajasthan all my life and am not at all inclined to move out to Gurgaon – extension of Delhi. That kind of life

is not for me.” Bhatt weakly protested by saying that the committee had ranked Gurgaon as the best location for the new plant. The second was Chennai and the third was Indore. His wife thought a moment, then replied, “ Well I would consider moving to Indore, but if you insist on Gurgaon you will have to go by yourself.”

The next day Bhatt, called his committee together and said, “ Gentlemen, you should all be commended for doing an excellent job on this report. However, after detailed study, I am convinced that Indore will meet the needs of our new plant better than Gurgaon or Chennai. Therefore, the decision will be to locate the new plant in Indore, Thank you all again for a job well done.”

- a) Did Bhatt make a personally rational decision?
- b) Did he make an organizationally rational decision?

3. Leo Medical Diagnostic and Research Center has patented its new invention of poly fiber cardiovascular valve. The product developed is a novel one and can be manufactured at a very low cost. The utility and life of the product in laboratory testing was found to be more than the life expectancy of patients. The product could enhance the life of the patient by at least five years. Considering all these factors Leo Medical Diagnostic and Research Center chose to set a unit to manufacture the product. However the company has dilemma. As the product is new and requires the acceptance of medical community, it is considering appointing a promotion and sales co-coordinator to manage the promotional and communication efforts of the firm.

- a) Do you think the number of units of a product to be manufactured is a random number? Explain your reasoning.
- b) How does one determine the number of units of a product to be manufactured in an organization?
- c) What are the elements you would take into consideration for forecasting the production and sales requirement of the product developed by Leo Medical Center?
- d) How would you go about planning and organizing the manufacturing and selling efforts of the organization?

The president of a large and successful cosmetics firm attributes his success to waiting for his competitors to do his innovating, forecasting and testing for him. “ We let them dream up the new products and promotions and we watch the results. If they go over, we copy all of the best features and add a few of our own. Sometimes we get a little less for being second, but considering the number of flops they have which we do not copy, and the cost they incur by

‘pioneering’ we come off far better than they.” What do you think of his approach to developing, forecasting, and testing innovations? Under what conditions will it be most and least successful?

4. Ice Cool Private Limited was an ice cream manufacturing company employing about 100 persons including persons at various levels of management. Because of increasing business the company needed to strengthen its accounting procedure particularly through computerization. For this purpose, the company decided to hire a new manager designated as assistant manager. The company invited applications through press advertisement. After receiving the applications, it appointed a selection committee consisting of members of top management including business manager Rakesh Mohan. The committee interviewed several candidates and finally selected Bishwash as new Assistant Business Manager. Bishwash was neat, well dressed and quite articulate.

Bishwash joined the company immediately and started working very hard. He used to put extra efforts and even worked during holiday as he did not have any family responsibility. He gained the reputation of being a dedicated and competent employee, his strong point being his knowledge of accounting and computer system. He was reporting to Rakesh Mohan, the business manager who was quite impressed with his working.

At that time, the company had no computer system, and its accounting procedures were in need of considerable improvement. Anil Kumar, the managing director of the company, directed Rakesh Mohan to get the needful done. Since most of accounting work related to sales, no separate accounting department existed and the work was performed under the direction of business manager, Bishwash was mainly appointed to strengthen the accounting aspects of the business. He was asked to prepare a project report so that necessary changes could be made. In order to get the first hand information about the problem, Bishwash began meeting regularly with Anil Kumar without the knowledge of Rakesh Mohan. There was no attempt to have secret meeting: Anil Kumar would just call Bishwash in for a report without bothering to tell Rakesh Mohan. The management team, whose members were with the company for a quite long period had formed a tight-knit group and appeared satisfied with the company. They all worked together and the company prospered inspite of fierce competition. The meeting between Anil Kumar and Bishwash continued and Rakesh Mohan was gradually losing contact with the project and its progress. In fact, Bishwash was almost reporting directly to the managing director though he was placed under business manager and retained his title of assistant business manager. Rakesh Mohan was now visibly upset over the

development and was also concerned about Bishwash's spreading share of influence. He started feeling let down in the company.

- a) What is the nature of problem in this case?
- b) Could Rakesh Mohan have prevented Bishwash's assumption of power? If so, how specifically, could it have been done?
- c) Suggest the course of action now available to Anil Kumar, Rakesh Mohan and Bishwash?

5. Sigma Appliances Limited was in the business of trading of various home appliances. For this purpose the company entered into agency agreement with different leading manufacturers. The agency business was doing quite well. About ten years back, it was diversified into manufacturing some of the appliances like electric iron press, electric oven, electric heater and other electrical gadgets. For this purpose, the company hired a team of technical personnel led by Khempla who was a diploma holder in Electrical Engineering but had considerable experience in the relevant field. The marketing was looked after by personnel of agency division with the addition of some more hands.

With increased business activities, the company was facing the problem of integrated information system, as this could not be built up since the company graduated from a small scale level. Whatever information system was developed, it was based on the needs felt rather than based on planning. In order to develop its management information system based on computerized processing, the company decided to recruit an MIS manager and advertisement was put in leading national newspaper inviting the application for the post. After receiving the applications, the company appointed a selection committee consisting of three members: managing director of the company, Manager of agency division, and an outside consultant. The committee interviewed applicants and selected Narayanan with three years' experience in MIS in a large company. Narayanan was very happy on this appointment as he was offered very profitable emoluments.

On one day, Khempal had an informal chat with the Agency Manager (Rajnish), which proceeded this way:

KHEMPAL : I have heard that you have appointed a new manager who will provide us information about how we should do.

RAJNISH : I have not appointed him but the management has done this. I was just

a spectator in the selection committee meeting. Further, Narayanan will not provide us information about how we should work. Rather he will collect information from us regarding how we are working.

KHEMPAL : I do not see any need for that. We are working alright and management has wasted the money in appointing Narayanan. With this money, I could have three more engineers who could have done something meaningful. Well, it is their money If they want to waste it in this manner, what we can do.

The chitchat ended as both departed. After joining the company, Narayanan decided to meet the senior personnel to understand their information need and the information that could be generated from different parts of the organization. In this process, he met Khempal in his factory office, which was adjacent to the administrative block and the conversation took place as follows :

NARAYANAN : Good morning sir.

KHEMPAL : Good morning. How do you do?

NARAYANAN : I am fine. Sir, I want to know what information your department needs.

KHEMPAL : If you want to enjoy a cup of tea with me, you are welcome. But if you want to ask such a silly question, I am sorry.

At this Narayanan looked visibly upset and left the factory office after saying, “Sir, I will meet you later.”

- a. Discuss the nature of problems involved in this case.
- b. What kind of perception was formed by Khempal about the role of MIS manager? What could have been the probable reasons for this?
- c. Advise Narayanan about how he should proceed.
- d. What methods should the chief executive adopt to overcome the problem?

6. Bharat Products Ltd. Is a big factory with a turnover of Rs 10 crore and with 400 workers. You have been in the office of its Factory Manager, Mr. Kaushik, for nearly 40 minutes. During this short period you have found that your conversation with him has been interrupted several times. First, it was the Office Manager who rang him to get his approval for samples of office stationery. Mr. Kaushik sends for the samples. Then comes the ring from a supplier who informs Mr. Kaushik that a particular part of machinery, which is otherwise not available in the market, can be had from him . Mr. Kaushik rings the Storekeeper to purchase Manager might have placed. Then there is a ring from a customer requesting Kaushik to allow a higher percentage of discount than that promised by the company’s Sale Manager .

Kaushik not only turns down the request but also expresses his surprise at the high percentage already allowed by the Sales Manager. Finally, a foreman enters and complains that a certain part of one machine is broken and it not being available in the stock, the production may suffer. Mr. Kaushik asks the foreman to tell the purchase Manager to order the part immediately.

Is Kaushik performing the job of a manager? What are your suggestions to improve his managerial style.

Bharat Engineering Works Limited is a major manufacturer of industrial machineries besides other engineering products. It has enjoyed considerable market preference for its machineries because of limited competition in the field. Usually there have been more orders than what the company could supply. However, the scenario changed quickly because of the entry of two new competitors in the field with foreign technological collaboration. For the first time, the company faced problem in marketing its products with usual profit margin. Sensing the likely problem, the chief executive appointed Mr. Arvind Kumar as general manager to direct the operations of industrial machinery division. Mr, Kumar had similar assignment abroad before coming back to India.

Mr. Kumar had a discussion with the chief executive about the nature of the problem being faced by the company so that he could fix up his priority. The chief executive advised him to consult various heads of department to have first hand information. However, he emphasized that the company lacked an integrated planning system while members of the Board of Directors insisted on introducing this in several meetings both formally and informally.

After joining as General Manager, Mr. Kumar got briefings from the heads of all departments. He asked all heads to identify major problem and issues concerning them. The marketing manager indicated that in order to achieve higher sales, he needed more sales support. Sales people had no central organization to provide sales support nor was there a generous budget for demonstration team which could be sent to customers to win business.

The production manager complained about the old machines and equipments used in manufacturing. Therefore, cost of production was high but without corresponding quality. While competitors has better equipments and machinery. Bharat Engineering had neither replaced its age-old plant nor reconditioned it. Therefore to reduce the cost, it was essential to automate production lines by installing new equipment.

Director of research and development did not have specific problem and therefore, did not indicate for any change. However a principal scientist in R & D indicated on one day that the director of R & D though very nice in his approach, did not emphasize on short-term research

projects, which could easily increase production efficiency by at least 20 per cent within a very short period without any major capital outlay.

- a) Discuss the nature and characteristics of the problem in this case.
- b) What steps should be taken by Mr. Kumar to overcome these problems?

7. Milk Products Limited is engaged in collecting, processing and distributing milk products in a large city in South India. Most of the products of the company are such that these have to be distributed on daily basis. The company has a crew of distributors who approach the fixed customers, both bulk buyers and individuals. Mr. K.Ramesh joined the crew of distributors after graduating in commerce. The distribution manager was quite impressed by Mr. Ramesh but initially could not offer him a better job than that of a distributor, However, he promised to give him better opportunity whenever available. Mr. Ramesh joined gladly.

The distributors are employed on monthly salary basis. In order to ensure distribution of the products the company has a provision of overtime pay. Normally, crew members work slowly in the beginning just to accumulate overtime pay. The pace becomes hectic towards the end of the day with some overtime to meet distribution schedule. There is no group leader but there are several old-timers who influence newcomers regarding the work rules. Mr.Ramesh did not like this method of working but had to follow the group to be a good team mate. He gathered that over the years, the company had paid around sixty per cent overtime unnecessarily.

After a year, impressed by the work of Mr. Ramesh and his overall suitability, the distribution manager offered him the position of distribution supervisor. The basic duty of supervisor was to look after the distribution system and to develop new customers in a given area. Beside Mr. Ramesh, there were four other supervisors also. Ramesh was sure of making distribution system effective as he was aware about the delaying tactics of the crew. He was quite sure about cutting the overtime cost and impressing upon the manager about fixing the quota of work per day in two parts before lunch and after lunch. The distribution manager left convinced and introduced the system. However, the efficiency dropped down considerably and no crew member was near the target.

- a) What were the reasons for decreased efficiency in the new system?
- b) Advise Mr. Ramesh and distribution manager about the future course of action.

## **Case 1:- Vindhya Steel Limited**

Vindhya Steel Limited is the second largest steel manufacturer in the private sector in India and the next company in Asia in terms of technology, with the production of 1.2 million tones (MTPA) per annum in March 1997. It has 1700 employees in the executive cadre. The company had earlier hired a number of top executive one by one from the public sector unit, in a very short span of time for the post of Director (Operations), but they were considered as misfit by the company and shown their way.

In their effort to bring a new person as Director (Operations), the Managing Director of the company interacted with one of the executive directors of a PSU (Cochin Steels Limited CSL), Mr. Kalyan Mishra, with whom he had worked earlier, and asked him to join, with complete and independent responsibility for the Allahabad plant, Mr. Mishra was invited to look at the plant. He took a round of the whole plant with the help of the HR chief Col. Kalra and finally confirmed his willingness to join, without interacting with any senior colleagues of the plant.

Mr. Mishra was a highly competent man with technical skills, who started his career as management trainee in CSL and rose to the position of Executive Director in a span of 30 years. Being a production man, he was familiar with the work culture of steel industry and knew how to get things done by a worker on the shop floor, even sometimes going to the extent of abusing the workers. Therefore, he proved his competency in due course of time. Mr. Mishra was a highly competent man with technical skills, who started his career as management trainee in CSL and rose to the position of Executive Director in a span of 30 years. Being a production man, he was familiar with the work culture of steel industry and knew how to get things done by a worker on the shop floor, even sometimes going to the extent of abusing the workers. Therefore, he proved his competency in due course of time.

Mr. Mishra took charge as Director (Operations) in April 1997 and reported to the managing director in corporate office in Delhi. He worked devotedly and planned his activities for three years in collaboration with all the departmental heads and set the target of production of 2.0 MTPA for the current year. Mr. Mishra in order to achieve this, went to the shop floor everyday to supervise how things were being done. Whenever and wherever he found slackness, he even scolded and abused the workers around. At times, even the superiors were treated in the same manner. He gave instructions to the workers even bypassing the hierarchy. He also ensured that whenever there was any breakdown in production, the head of

department (HOD) needed to be present to hasten the process of repair and even instructed the shift supervisors in general to immediately inform him in case all these efforts led to an increase in production by 30 per cent in just 6 months.

Besides the production activities, Mr. Mishra facilitated the development in and around the plant for environmental management and helped the company bag ISO 14001 during this period. He also paved way for the development of township, entertainment club and hospital with all the facilities for the employees and their families. He even started a newsletter to highlight the HRD initiative taken by the company, and established the training centre and library for the development of workers.

During this period Mr. Mishra felt constrained in operating because whenever he required fund for maintenance and other production requirements, he instructed the Director (Finance) for getting it, but DF never complied with his order and always went to MD for approval of funds. Similarly Director (Marketing) also did not pay heed to the instructions of Mr. Mishra as all three were reporting to MD directly.

HR chief of the plant Col. Kalra was intending to be the Director (Operations) as he was very close to the promoters and was virtually ruling over the whole system before Mr. Mishra joined the company. Mr. Mishra conducted some of the open house sessions with the technical employees to understand their grievance, he found that was high dissatisfaction among the employees against HR function of the plant and to be specific, against autocratic attitude of Col. Kalra Mr. Mishra tried to interfere in HR function to streamline the activities which Col. Kalra did not like, and he started conspiracy against Mr. Mishra. As a result, the promoter instructed MD to change, Col. Kalra is powerful enough too change his reporting. Though the employees did not like Col. Kalra, they also did not like the approach and behaviors of Mr. Mishra too. This gave an opportunity to Col. Kalra to influence the HODs complain against Mr. Mishra to promoters. MD also had a tiff with Mr. Mishra an issues of manpower requirement and administration. Taking this advantage Col. Kalra succeeded in changing his reporting from Col. Kalra to MD.

Ones fine morning Col. Kalra received a letter from promoters in which it was stated that he was being promoted as Advisor t MD in corporate office. After a week-long thought, Mr. Mishra felt that being a production man for his whole life, it was impossible for him to be in corporate office without having any direct interaction with the plant. He decided to quite and joined another company on a higher position and higher pay package than this present job.

**Question:-**

1. Was there any mistake in the recruitment and selection process OF Mr. Mishra?
2. What HR step should have been taken to avoid the situation?
3. Who benefited form Mr. Mishra's quitting?
4. Had Col. Kalra discharged his responsibilities appropriately?
5. Was Col. Kalra departure in the better interest of the company?
6. What role should MD play in this organization?
7. What was wrong in Management of this company?

**Case 10:- Dilemma of Restructuring.**

Synergy Formulation (India) Limited was a public limited company and had been in business of pharmaceuticals and drugs since 1988. The company set up its manufacturing plant at Ghaziabad near Delhi in 1988 having separate units for producing tables, capsules and oral liquids.

Under its expansion programs an ultra modern state-of-the-art plant was commissioned at Meerut in U.P. The company had its corporate office at Lucknow and registered office at Delhi. Synergy formulations was a premium pharmaceutical company which had a national wide distributions network. The company's annual turnover in 1995 was Rs. 10 crores. In the last three years Synergy had been able to increase its turnover form Rs. 10 crores to Rs. 35 crores. Till 1998 the company was organized into two groups; the generic

and OTC (Over the counter) grouped together and the ethical division which functioned independently. In 1998, the company decided to restructure its marketing organization into three separate and independent divisions in view of its phenomenal growth.

Synergy Formulation (India) Limited in late 1997 reviewed its existing marketing organization structure with the intention of bifurcating the OTC and generic division. The issue was debated at corporate level. While the field staff and majority of managers at corporate level were of the opinion that the present arrangement were adequate and the strategies could be used to ensure better performance, the MD and one to two percent of the senior executives at corporate level were vehemently propagating the reorganization of marketing division. They felt that this would lead to better control of field staff, optimum utilization of marketing resources and the independent groups would function more effectively which in turn would improve the performance of the difference divisions.

In spite of the prevailing divergent views the MD's decision was implemented and the marketing organization was reorganized into three division: generic products, the unbranded products which were sold in bulk to hospitals, bulk buyers and nursing homes; ethical products, the medicines which were sold to user n the prescription of doctors and OTC products, those branded products which could be sold without any doctor's prescription.

### **Post Restructuring:-**

As a result of the restructuring exercise all the sales staff of generic divisions were shifted to OTC division. New zonal and regional managers were hired for generic division. The company decided to discontinue field staff in generic division as it was felt that generic products were predominantly sold by the distribution channel and the role of field staff was limited, hence their absence would not affect the sales adversely. The company now maintained separate accounts for the different divisions to avoid conflicts. Soon after the reorganization of the marketing department the corporate office noticed there were frequent clashes and disputes between the generic and OTC divisions. The causes for the conflicts could be ascribed to the following reasons:

- The distribution channel (Annexure I) was common for all the three division due to which it was experienced that the OTC and generic were competing with each other for order from channel members who had limited monetary resources. The purchase form one division often lead to a cut in purchase from the other division. It appeared that the division were growing at the cost of each at distributors level. This fluctuating

sales affected the incentive received by sales staff which was based on the volume of sales generated by an individual.

- The company as a policy matter did not supply products to distributors who had outstanding payments to the company, be it on the account of generic division or the OTC division. There was discontentment in the OTC division as they often found that the generic division. This supply policy affected the performance of the OTC division and in turn, their incentive.
- When the field staff of generic divisions was transferred to OTC divisions, the marketing overheads of the generic division were reduced and to encash on this, the company decided to reduce the price of the generic products. The generic division became extremely price competitive in the market. In spite of the reduced prices generic division did not show a considerable positive rise as was expected.

This fall in the performance of generic division was observed in the first quarterly review since the restructuring of the organization. The corporate executives of marketing felt concerned. The review showed that OTC division was flourishing and was in a position to double its sales in this period, but the generic division continued to show decline in sales. The generic division was the largest contributors of the sales turnover of the company (Annexure II). Though the profit contributor of the generic division was less than OTC but the company could not afford loss of sales in the generic division any more. On discussion with the distributors it was realized that the absence of intermediates between the distributors and their bulk customers was leading to loss of goodwill and customers. The channel members were of the opinion that the transfer of field staff had been counterproductive to the marketing effort and in the long-term interest of the company, field staff was an essential elements of the supply chain though they were able to generate only 30% if the total sales and the status quo-ante be achieved. The organization hired new junior field staff for the generic division in October, 1998.

The recruitment of field staff led to the increase in the marketing overhead. Since the organization used cost plus pricing, it was forced to increase its MRP. This increase in price affected the sales of generic product adversely as generic are extremely price sensitive. synergy formulation was now caught in a vicious circle. It neither could reduce prices nor discontinue the field staff in generic division.

**Question:-**

1. Give suggestions to reduce the conflict between the two divisions.
2. What in your opinion were the problems faced by Synergy generic division after its bifurcation from the OTC division?
3. Do you think restructuring the marketing organization was a wise decision? Justify your answer?

**Case 13:- Variable Pay Hike**

Akshay Motors Private Limited was established in 1982 by Akshay Mishra to manufacture passenger cars at Mandideep. Two years later, a small subunit for prototype designing and testing was set up at a distance of 4.5 kms from the main plant. Both the plants had separate unions. In the small plant there were just 55-60 people who had better interactions among themselves. On the other hand, main plant had a strong union of 300 employees. In the small plant, a variable environment existed due to flexibility in work whereas in the mother plant such flexibility did not exist due to highly structured jobs. Whenever there would be any negotiation with the workers of the company it was first negotiated at the small plant and whatever the outcome, had to be agreed upon by the main plant union. The management would make the main plant workers agree on the pretext that there had to be uniformity in both the units of the plant.

In 1998, the workers in the small plant demanded a hike of 15 per cent of the basic salary, to which the management did not agree. They wanted to give a hike of 5 per cent only since the plant could not generate much revenue out of its activities. And moreover, the activities of this plant were not quantifiable as the outcome of designs could be assessed only after 3-4 years. Many rounds of negotiations took place but neither the management nor the union representatives could arrive at a solution. As a result the members lost faith in the demand if the workers fizzled out.

Meanwhile, the union at the main plant took up the issues of hike in pay with the management. They were demanding a hike of 20 per cent of the basic salary. After few rounds

of negotiations, the management agreed to give rise on the basis of variable income scheme, which meant, the hike would be proportionate to the individual output. To this, the union did not agree in the first few rounds of negotiation. But later, keeping in mind the fate of the workers at the smaller unit, the union agreed. Once the settlement at the main plant was implemented, the unrest among the workers in the small plant started. In the absence of any union, every worker approached Raman Kumar, the HR Manager. Anticipating problems from the workers at the small plant, he gave them an assurance that he would communicate it to the top management. The expectations of the workers started rising. A suggestion from the workers came that all of them should give an undertaking that they would abide by the decision of the top management and would not involve themselves in the unionized activities. There was a strong belief among the workers that management in the two units in the past never such occasional assurance from Raman Kumar. In October 10, 1999 the new executive director, Hritik Ranade, took over. The day he joined, the workers showed their resentment by not eating food in the canteen. Ranade immediately walked into the canteen, to sort out the matter and assured them of an early settlement. He thought that demands of the workers were genuine, but at the same time their output could not be quantified as compared to the workers of the main unit. After a period of three months the workers came to know through grapevine that management was planning to give a pay hike of Rs. 150 irrespective of the basic salary.

One fine morning, the workers were communicated that there would be a 8 per cent raise for everybody irrespective of the level. Since then, there had been no negotiations for the salary and it was fixed by the top management.

**Question:-**

1. Was it ethical for the management to have different rates of pay hike at two units?
2. Would the pay hike of 8 per cent satisfy the workers? Discuss.
3. How far do you think that an organization can cash on the strategy of feeding lower figures of pay hike in the grapevine and then giving slightly higher figures in reality?
4. Do you think that the workers in the design unit were not contributing to the revenues generated by the organization?