



## **CASE STUDY 9: NONPERFORMING MANAGEMENT MEMBERS**

### **Introduction**

The organization has various businesses such as an agency business to sell and distribute the chemical processing equipment, chemical processing units at two locations and garment manufacturing units. The young entrepreneur, Mr. Kevin Fernandez, had started this business on his **own 15 years back as a small agency** business with just three employees in the beginning which has now grown to around 100 people with a turnover of 30. He has done his graduation and has completed his further education from London Business School at UK. He is a visionary, he is **dynamic, & focused and wants to take his** entire group to a new height with his effort.

Being a man of high ambition, with the talent to match, Mr. Kevin was looking to expand his enterprises. The sky was his limit! However, as expansion grew, he began facing problems in his operations and executions, and focused all his efforts in firefighting those to resume smooth functioning.

**What he realized was that he was forced** to overlook duties that would otherwise have been the job of a plant manager.

Day to day operations took up so much of his time, that he wasn't able to give business development the kind of attention it needed. He saw sales and business development take a hit and decided it was time to seek assistance from HRD **Management Consultancy.**

### **Scenario**

Mr. Kevin was very confident that to reach a 100 crore mark he needed a strong and a dedicated team especially in the second line. He joined a crash course for one year at a reputed management consulting firm to learn how to make an organization **bigger and better.**

After completing his course he had the confidence and knowledge and started implementing his new strategy in the organization and also engaged the same management consulting firm to train their second line and professionals to get the results faster.

**For the first 6 months things were smooth** but later on the organization started facing various issues like problem in execution in manufacturing units, after sales and service issues in agency business. The brand name of the organization suffered due to poor **responses and coordination by the** HODs of various processes resulting into indirect and direct loss.

All the guidelines and procedures were in place, the ERP was also almost implemented but still the issues were not getting resolved and on top of that, the pressure was there from the management consulting firm who were engaged **to achieve the organization targets** set by them.

We had taken the assignment just to identify the root cause of the problem and give them a suitable action plan on which the management would follow and take appropriate actions.

### **Finding Facts**

The management was quite positive about giving their inputs about the entire organization and the challenges faced

- a) Understanding the history of the organization
- b) Understanding the thought process of the management members
- c) Understanding the business process and model of the all business verticals
- d) Meetings with all process owners like sale, purchase, operations (in case of sales and service business), production planning (in case of manufacturing of **chemical machineries**), **HR, Accounts** (centralized and location wise accounting system)
- e) Understanding the reports and reporting method between HOD's and management and also the reporting method between team members and HOD

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g) Understanding level of authorities provided by top management to HOD

h) **Taking few more rounds of** meeting with key process owners to identify root cause

i) Review present day challenges faced by management by attending their review meeting (Weekly, Monthly)

j) **Review present action plan taken** by all management members to address the challenges

k) Understanding the role of management members on initiating the action taken

l) Understanding, involvement of **management members on day to day** activities, delegation and empowerment to all HOD

m) Mapping the entire process with respect to organization objectives and data analysis

n) HR policies deployment in the organization

o) Financial review of the all business verticals

### **Root Cause**

We then segregated the probable root cause and identified root cause as follows:-

**The management's involvement in** all the processes of all the business verticals was observed specially in purchasing activities & manufacturing activities. Looking at the business verticals all processes were mainly depending on the **purchasing and manufacturing:-**

For the trading business, Mr. Kevin was completely responsible for procurement which should be done on time but was not happening due to which the entire processes got slow and customer dissatisfaction increased.

The slow procurement process was affecting the increasing cost of manufacturing and also affecting the after sales service activity on site during installation **and commissioning, because** some of the material is also required at the time of installation and commissioning.

Due to delay in decision making with regards to purchasing and manufacturing and improper planning, the middle management was not comfortable taking responsibility.

**Since the beginning, Mr. Kevin was** handling the entire process of purchasing and manufacturing. At that time it was quite manageable until the group's turnover became 15 crore and if he wanted to achieve a turnover of around 100 crore there was a need to **empower some of the key management** members with systematic planning and controlling points.

On the other hand the HOD of processes were not willing to question the managing director about the urgency of the materials, delay in decision making and were under big confusion whether they will be addressing the issue to the managing director or the purchase **manager or the plant head.**

As the purchasing and manufacturing processes were directly under the managing director and the number of transactions were too high, it was slowly affecting all other processes.

People were really confused as to how they could address this issue and discuss with either the managing director or with the purchase manager or the plant head. There was no second line for purchasing and manufacturing after Mr. Kevin.

The main root causes were:-

- Multitasking leadership
- Centralization of processes
- Transparency in sharing information to middle management
- Trust

- Lack of Delegation & Empowerment
- Process mapping with controlling points

### **Solution Implemented**

We first collected the data from purchase and manufacturing unit and worked closely with the team of purchase and manufacturing. After collecting the data we discussed these issues with Mr. Kevin and made him aware about the consequences by **handling multiple processes like** purchasing and manufacturing. Due to his untimely decisions for purchasing and manufacturing we quantified the losses occurred to organization and presented it to Mr. Kevin. We explained to him that the people who were responsible had no **authority and accountability and finally** managed to convince Mr. Kevin to start to decentralize the process of purchasing and manufacturing by controlling points and regular reviews.

**The managing director realised one fact** that he was confronting within the organization and holding multiple posts and profiles, there was injustice done to one of the processes which led to creating the scenario "MD Vs Purchase Manager and Plant Head"

### **Outcome**

- The mindset and approach of running the organization has changed completely and we can see more leaders in the organization.
- The management has decided **to take the assignment to** empower managers with controlled systems and authority and make an action plan to implement the same in a span of six months
- The customer complaints and organization loss have reduced considerably with timely decisions

### **Conclusion**

As Norma Vincent Peale Said **"Change your thoughts and you change your world."**

**"We are what our thoughts have made us; so take care about what you think. Words are secondary.**

Thoughts **live; they travel far."**

**– Swami Vivekananda**