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Powertech India: Redesigning Workforce Composition

Bishakha Majumdar and Rudranil Chakrabortty wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In late February 2013, Neil Malhotra, vice-president, human resources (HR), of PowerTech India Private Limited (PowerTech India), was in his office at the company’s Gurgaon headquarters studying the organizational chart of his firm with interest. In his seven-year tenure with the company, he had watched the organization grow considerably. What Malhotra loved most about his job was the company’s commitment to follow best practices in HR management and the people-oriented approach that made the work a creative, feel-good, and dynamic process. Until now, expansion has been the catchphrase of the organization, as it strove to carve a niche for itself in the highly competitive power sector. The focus was still on growth, so retention of talent was more crucial than ever before. But a recent meeting with PowerTech India’s managing director made Malhotra wonder if the expected turbulent times ahead would require a reconsideration of the company’s key human resource policies, which had become a hallmark of the organization.

POWER: THE SITUATION IN INDIA

The rapid industrialization of India, after its independence in 1947, necessitated high growth in the energy and power domain to support the country’s resurgence.[[1]](#footnote-1) Throughout the early decades of the republic, entry for private companies in the power sector was highly restricted, limiting their involvement in providing installation and maintenance services to the power facilities of industrial units.

India ranked third among the producers and consumers of electricity in the world and accounted for about 54 per cent of the world’s power generation.[[2]](#footnote-2) The main sources of power in India were thermal power (65 per cent), hydroelectric power (22 per cent), nuclear power (3 per cent), and renewable energy (10 per cent).

POWERTECH INDIA

PowerTech India ranked 12th among providers of power generation, transmission, and distribution in the Indian sub-continent. Established in 1968, the firm initially provided balance of plant (BOP) solutions to industrial units. In the 1980s, PowerTech India became one of the pioneers in handling fuel requirements of thermal power stations in India.

Liberalization in 1991 and the subsequent entry of private companies into the domain of power generation considerably opened opportunities for PowerTech India. In addition to providing turnkey projects to industrial units, the company also started placing bids in power transmission and distribution—particularly in rural areas. In 2012, the firm’s major functions were providing BOP and turnkey solutions to industries, handling the fuel requirements of thermal power plants, and distributing power.

PowerTech India enjoyed a wide client base across varied sectors, such as petrochemicals, power, iron and steel, and metallurgy. The company operated in over 200 projects across 17 states in India. Its major clients included the Central Electric Supply Corporation, Bharat Heavy Electricals Limited, National Aluminium Company, Tata Chemicals, Indian Oil, and the Damodar Valley Corporation.

At a time when the power sector was attracting many new entrants, PowerTech India managed to maintain its competitive advantage by specializing in delivering projects across complex terrains. Being a project-based organization, it relied heavily on the networking skills of its marketing departments, located in Mumbai, Delhi, and Bangalore, to win new projects. It also strove to keep up its tradition of 100 percent on-time project delivery by maintaining up-to-date technological facilities, strong vendor relationships, and expert project management by a skilled workforce.

PowerTech India’s future plans included diversifying into asset ownership from project management and investing in solar power generation in Western India. Solar power would hedge against the risk of holding assets in the energy sectors, while also upholding the company’s commitment to promote clean and sustainable energy.

In 2012, PowerTech India reported a 15-per-cent increase in gross revenue and a profit of over ₹1.2 billion,[[3]](#footnote-3) a modest increase of 7.19 per cent from 2010–2011, which was considerably lower than the projected growth in profit of 14 per cent. The gap was explained with reference to the fall in the nation’s economic growth rate, from 6.7 per cent in 2011 to 6.5 per cent in 2012.

HUMAN RESOURCE MANAGEMENT AT POWERTECH INDIA

As a project-based company, PowerTech India benefitted from a strong workforce of over 100 engineers and 390 fieldworkers with an average of 20 years in work experience. The company used its strength in experience of the workforce as a major negotiation point in winning project bids. Clients valued specialized skills and previous experience when dealing with complex projects (see Exhibit 1).

PowerTech India had a centralized HR department to oversee recruitment, selection, placement, training, compensation management, and promotion of the workforce. Workers were assigned to the various projects based on their past experience and skills. A project team typically consisted of the resident manager and the site manager overseeing the activities of the fieldworkers and supervisors. PowerTech India would also often hire local labourers at the project site on a contract basis (see Exhibit 2). The practice achieved several objectives. It helped meet the highly fluctuating need for additional workers in certain projects, developed favourable relations with the local community, and made use of the locals’ knowledge and skills specific to the project’s terrain and climate.

Traditionally, engineers and shop-floor workers had different recruitment and employee management plans. Engineers were mainly recruited through lateral placements and employee referrals, with occasional campus recruitment efforts. Performance appraisals for engineers were done using 360-degree feedback, their salary structures used both fixed and variable components (see Exhibit 3), and performance incentives were given to the top 80 per cent of engineers. Shop-floor employees had a salary structure with no variable components and were recruited mainly from the Industrial Training Institute; new recruits worked as trainees for two years before they were absorbed into the regular workforce (see Exhibit 4).

PowerTech India prided itself on being a worker-friendly workplace, striving to emerge as one of the best places to work in the industry. This was essential in order to retain a talent pool in a highly competitive industry, where attrition and workforce cannibalization were common. Exemplary work policies were also necessary to attract clients, who were themselves known for their employee-friendly culture. PowerTech kept its workforce updated through a series of training programs, ranging from skill development in core operations to Six Sigma quality management. These programs were run throughout the year and were available to any employee who was not currently working on a project.

The company’s managing director, T. N. Prabhu, explained the importance of retaining talent:

The manpower is our main resource to attract new projects, execute them well, and help the firm survive in the long run. When projects are not running, we keep the workers engaged in training—in the best practices around the globe—and in handling the latest technology in the field. You need to build credibility to impress your client for a long-term relationship. Even the smallest of workers plays a role there.

Deciding on the optimal workforce for a project-based firm was not easy because the demands kept fluctuating. PowerTech India aimed to maintain a ratio of 1 to 3 for engineers to shop-floor workers, with a 10-per-cent buffer. The first four decades were mainly focused on growth through recruitment and retention of talented, skilled, and experienced workers. To attract superior talent, it was necessary to depict the workplace as a unique environment. PowerTech India effectively had around 300 workdays per year, and with a target of scheduling two hours of training for every 100 work hours, it was providing an average of 600 hours of training per year for each non-engineer employee. The absenteeism rate reached a low 2 per cent and the attrition rate for shop floor averaged about 30 workers per year. The company avoided using a bench rate for salary. Workers who were not assigned to a project were engaged in one of the 20 training programs provided at any given time; these workers received full pay, rather than the industry practice of providing a bench rate of 75 per cent of the regular wage. The training increased average efficiency and productivity rates by 32.7 per cent. The feedback from workers was highly positive, as confirmed by one employee:

Thanks to the training and skill building exercises, we are familiar with terms like Six Sigma, kaizen, and SAP [system applications and products]. It makes me feel enriched as a professional when we discuss issues with our clients on the shop floor.

MEETING WITH THE MANAGING DIRECTOR

PowerTech India’s managing director was precise in his demands from the core team of experts. Market forecast agencies had painted a rosy picture for the power sector, with a possible foreign direct investment of ₹13 trillion in fiscal year (FY) 2013. Opportunities for public–private partnerships had also opened up considerably, with renewed focus on rural electrification in the pre-election year. However, the economy had experienced a drop in the growth rate from 6.7 per cent in FY 2008/09 to 6.5 per cent in FY 2011/12, projected by the government to drop further to 5.9 per cent.

The low growth rate in the economy had led to a sharp decline in the industrial growth rate during FY 2011/12, which had reached a three-year low at 4.4 per cent. The slowdown in the core industries was threatening to affect the complementary industry of power generation and distribution. Already there was a fall in the number of projects, leading to increased competition and lower bids from power engineering companies. Added to this was the controversy known as the coal scam,[[4]](#footnote-4) which reduced interest among investors for such projects.

PowerTech India was facing the brunt of the situation. Its average income from projects had fallen by 10.2 per cent in the previous fiscal year. Almost 90 per cent of its income was coming from its top eight clients, leaving little escape in case any current projects were to close. Nevertheless, the core team agreed that opportunities would arise in the coming months to help the firm rise in status.

Malhotra found the managing director’s instructions specific. PowerTech India’s HR strategy had been to recruit sufficient workforce to satisfy the company’s expansion plans, keep the attrition rate low, and have a pipeline of candidates ready for inflow of employees, as required. If the next year showed consistent growth, the same strategy could be followed. However, if the coming year experienced an industrial slump, the company would need to consider cutting costs. This would mean that HR policies could change accordingly, and layoffs could also be considered. As the company’s vice-president, HR, Malhotra needed to design a workforce strategy that kept the workforce flexible to meet either possible outcome—expansion or reduction—while maintaining the overall quality and retaining valued workers. Malhotra wondered how to proceed:

A firm’s outlook should be futuristic, to say the least. Here we are trying to build a solution to the problem that a static organization faces when it meets a dynamic market. The market can turn either way in the next fiscal year. The question is: are we prepared?

REDESIGNING THE WORKFORCE

Back in his cabin, Malhotra studied the organizational chart in detail. He knew that with 11 projects in progress and another seven at the bidding stage, the workforce of engineers needed to be maintained at all costs. So the scope for redesign of the workforce was limited to the shop floor. Malhotra trusted the advice of Rini Chatterjee, his senior HR manager in charge of compensation management of the shop-floor workforce. Chatterjee considered the situation and provided this advice:

There are areas where we are doing well in terms of our targets, for instance, in terms of training hours—almost too well, to be precise. This gives us some flexibility in terms of numbers we’d want to tweak. But changes also carry the risk of discontentment. Layoffs may cause serious protest from the workers’ union. The present HR policies have given the firm a unique worker-friendly identity among clients, and it may not be wise to jeopardize that.

Given a choice, I would rather concentrate on performance appraisal. All of the four exit interviews conducted for shop-floor staff last year had a common point of grievance: non-recognition of good performance. Although we have a policy of promoting only 80 per cent from the entry level and 75 per cent from the associate level, it has been ages since I have seen a trainee not getting absorbed in the workforce. I have heard that managers would give even the weakling a chance. After all, until now, the firm needed as many hands on board as possible.

Malhotra considered Chatterjee’s advice and made some observations of his own:

The task is not merely to tighten belts, as one would say. The plan we propose today should guide the firm to human resource adequacy, for the next five years at least, in a fluctuating market. Our recommendation should preferably be based on logic that holds for a happy market scenario as well.

As he drank his coffee, Malhotra realized that the project of redesigning the workforce at PowerTech India would be a balancing act. It would need to consider both the best and the worst that might happen with market changes in the coming fiscal year.

**EXHIBIT 1: POWERTECH INDIAORGANIZATIONAL CHART**

Note: VP = vice-president; HR = human resources

Source: Created by the authors based on interviews with PowerTech India Private Limited.

EXHIBIT 2: STRUCTURE OF PROJECT TEAMS

Source: Created by the authors.

**EXHIBIT 3: COMPENSATION STRUCTURE FOR ENGINEERS AND SHOP-FLOOR STAFF**

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| --- | --- | --- | --- | --- |
| **Role** | **Basic (Fixed)**  **(in ₹ Million)** | **House Rent Allowance (%)** | **Other Allowances (%)** | **Performance Bonus (%)** |
| Resident Manager—Engineer | 1.23 | 5 | 2 | 20 |
| Site Manager—Engineer | 0.80 | 5 | 2 | 20 |
| Supervisor—Engineer | 0.50 | 5 | 2 | 20 |
| Shop-floor Staff | 0.26 | 2 | 2 | - |
| Associate Trainee | 0.13 | - | - | - |
| Trainee | 0.10 | - | - | - |

Source: Created by the authors.

EXHIBIT 4: PROMOTION STRUCTURE AT SHOP FLOOR

Source: Created by the authors.

1. “Indian Power Industry,” *Indian Mirror,* accessed March 11, 2016, www.indianmirror.com/indian-industries/power.html. [↑](#footnote-ref-1)
2. “Electricity Production: Second-Year Slowdown of Global Electricity Production,” Enerdata: Global Energy Statistical Yearbook 2016, accessed March 11, 2016, https://yearbook.enerdata.net/world-electricity-production-map-graph-and-data.html. [↑](#footnote-ref-2)
3. ₹ = INR = Indian rupee; all currency amounts are in ₹ unless otherwise specified; ₹1 = US$0.02 on August 21, 2012. [↑](#footnote-ref-3)
4. Vivek Kaul, “All You Wanted to Know about the Coal Scam,” DNA: Daily News and Analysis, March 11, 2015, www.dnaindia.com

   /money/report-all-you-wanted-to-know-about-the-coal-scam-1735936. [↑](#footnote-ref-4)