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SHIRDI INFRATECH: should a STAR manager be fired?

Anjali Tiwari and Madhushree Agarwal 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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It was early on a chilly December morning in 2015 in the industrial hub of Greater Noida, part of the national capital region of New Delhi, India. Pramod Upadhya, the managing director of Shirdi Infratech Pvt. Ltd. (SI), was meeting at his plant with his core team to await the delivery of a game-changing machine that was expected to make his firm stand out from the competition. The machine applied a cutting-edge technique called “nano finishing”—not previously used in India—to furniture surfaces. None of SI’s competitors possessed such a machine. SI had recently won a lucrative contract to supply prefabricated doors to a company, the result of the hard work of SI’s core team. Som Sharma, a core team member, had played a critical role in convincing the client to sign the contract, and Sharma’s rapport with a private moneylender had helped to expedite a loan of US$780,000[[1]](#footnote-1) to procure the machine. All team members were jubilant at winning the deal, and Sharma was greatly admired for his role in the achievement.

However, during the meeting that December morning, Upadhya received two different phone calls that suggested the project could be in jeopardy, giving him the uncomfortable feeling that he was in trouble. The first one, from Upadhya’s wife, a director on the SI board, alerted him to a tip from a junior executive on Sharma’s team that Sharma was about to leave the company and join one of SI’s archrivals, and that he had compromised vital, confidential information about the project. The other call, from the machine supplier, informed Upadhya of a one-day delay in the delivery of the machine because the supplier had to fill a similar order at the same time and place.

Was his archrival procuring the same machine that Upadhya had thought would be his technology secret? Upadhya was in a quandary and his mind filled with questions. The team had been meticulous in maintaining the confidentiality of the project, so how could the competitor learn of the source of the machine and place an order with that supplier for one exactly like it? Why did the competitor persist in trying to lure Sharma away from SI? Were they aware of Sharma’s critical role in the project? Were others on the SI team a part of the illicit nexus with the competitor? How would SI fill the order without Sharma? If Sharma had betrayed SI, should the company retain him?

Background

The wooden furniture manufacturing industry in India was hitherto unorganized. Only a few firms in the industry had advanced machinery, such as hot presses and computer numerical control (CNC) routers.[[2]](#footnote-2) Retail sales were a major challenge for firms in the industry, as most retail customers preferred either carpenter-customized products or showroom products with international tags. Therefore, closing the retail deal was an urgent issue for Upadhya, and he thought that opening a showroom could boost retail sales.

SI was founded in 2010. Upadhya, the founder, was from Giridih, a small town in Jharkhand state in eastern India. After graduating from university, Upadhya left his hometown and migrated to New Delhi. To fulfill his aspiration to be an entrepreneur in manufacturing and interior design, Upadhya formed concise, clear plans and outlined procedures to accomplish his objective. However, he did not have the resources required to start such a business venture and was forced to divide his goal into two segments. Starting as a freelance interior designer to acquire knowledge in the field, and prioritizing learning over earning, Upadhya gradually earned substantial experience, enabling him to begin his venture as an entrepreneur.

SI designed and manufactured diversified interior design products, such as doors, doorframes, modular kitchens, modular wardrobes, and furniture. The company was driven by specific processes such as lean management. It adopted the latest technologies on par with leading international firms and was capable of providing maximum customer satisfaction.

Competitors and the Labour Market

Among the few major players in the wooden furniture industry, which was comprised of small-, medium-, and large-scale enterprises, two were prominent with over 30 years of experience. These two firms had the advantages of financial strength, skilful employees, and an established brand image. On the other hand, SI, a young company, had many constraints, including in the areas of finance, organizational structure, customer base, and employee experience. The product ranges across competitors were quite similar, so any differentiation could be made only with the application of innovative technology and quality service.

SI had an edge over the competitors in terms of its service quality and its company doctrines, including “value for money for years” and “we hire family members, not employees.” These two pledges enabled SI to stand out from its competitors and strengthen its brand while developing a trusting environment that fueled career progression. SI product warranty periods were longer than those of other firms. Customers had autonomy in specifying furniture customizations, and this generated in them a sense of trust in the company; moreover, there was less employee turnover at SI, and its employees enjoyed more autonomy and free communication, all of which enhanced a sense of commitment. The core of human resource management at SI was effective workforce planning. The wooden furniture manufacturing industry was new, so finding suitable candidates for employment with the requisite skill set was a challenging task for both the industry and for SI. A basic hiring requirement at SI was experience in production, marketing, and equipment training.

Practices at SI

Sense of Attachment

SI consistently encouraged its customers to visit its manufacturing unit to see how the products evolved through various stages. This gesture of transparency instilled confidence among its customers, who felt more involved in the whole process. A specialized team was devoted to customizing the products based on customer requirements and desires.

Market Segmentation

Since SI was able to make reasonable profits even after reducing the price of its products, it continued to follow a strategy of increasing market share through competitive pricing. The targeted segments were retail and mass orders, from which the majority of builders’ bulk orders originated.

Employee Satisfaction

SI had 200 skilled employees who were, for the most part, very satisfied. The company enjoyed a minimal rate of attrition not only because of approachable senior management, but also because of Upadhya’s philosophy of “management by walking around.” The low attrition rate proved that the company’s commitment to its employees was successful in retaining them.

Another best practice adopted by Upadhya was holding a monthly “Lunch Day,” when all staff members and Upadhya would eat lunch together. This fostered a sense of equality among employees, and Upadhya showed his employees that he was an approachable leader.

Corporate Social Responsibility

Companies committed to social causes that warranted a charitable response and positively affected communities around the world could enhance their reputations through these commitments. In line with this, SI sponsored the education of underprivileged children and provided medical facilities for women through its corporate social responsibility activities in Giridih. SI made investments in school infrastructure and planned to invest in a hospital’s infrastructure out of the company’s desire to help those in need.

the Project’s Journey

Upadhya’s firm had earned a solid reputation in the wooden furniture industry and was a constant topic of discussion among his competitors. The company was certified by the International Organization for Standardization (ISO) 9001:2000 and ISO 14000.[[3]](#footnote-3) As the company began to grow rapidly, the demand for production increased (turnover increased about 40 per cent from the previous year; customer complaints diminished by 70 per cent) (see Exhibit 1). To increase production, the company would have to hire more production staff and an excellent marketing professional. With a growth in revenue and a decline in customer complaints, SI was reaping handsome profits. Upadhya, however, was not content, as his plan for opening a chain of showrooms had not yet materialized; opening the showrooms could lead to a surge in the company’s profits. However, as this required significant financing, Upadhya searched for a deal that would generate extraordinary results.

Hiring Sharma

Upadhya had been on the lookout for a marketing professional and, accordingly, had posted a job description for a marketing manager, someone who could help the company to generate more sales (see Exhibit 2). The candidate had to have expert-level presentation, communication, and persuasion skills—the basic skills required for the job. He finally received a resume that met all the criteria, so he arranged an interview at his office for 10 a.m. Sharma, the interviewee, arrived at 9:30 a.m., and the interview began with Upadhya asking Sharma to briefly introduce himself. Sharma detailed his work experience, education qualifications, family background, and birthplace.

The rest of the interview proceeded as follows:

Upadhya: So, how was your last job?

Sharma: It was a great experience, as I had the opportunity to broaden my knowledge and hone my skills during that period. I successfully delivered five projects during my tenure there.

Upadhya: If you were so satisfied with your last job, why did you quit?

Sharma: I quit due to the location and language constraints. I am originally from Orissa, and working and staying in southern India posed a big challenge for me; employees conversed mostly in their local language at work and in common areas. I considered this unprofessional.

Upadhya: How many projects have you done for offshore clients, and what was your role in them?

Sharma: I worked on two offshore projects, wherein I worked closely with the clients to ensure all of their requirements were met and to manage the delivery processes. [Sharma also mentioned that he took responsibility for preparing demonstrations to be presented to clients.]

Upadhya: Could you do a presentation right now?

Sharma: Yes, why not?

Sharma gave a quick but very impressive presentation to Upadhya about his skills, and it made a very favourable impression on Upadhya.

Upadhya: Could you come tomorrow at 10 a.m. for a second interview?

Sharma possessed all the skills that Upadhya was looking for in a marketing manager. Moreover, Sharma had substantial experience with nano-finishing and CNC machinery, and he had successfully delivered numerous projects. Upadhya was interested in the skilled candidate. Immediately following the first-round interview, he contacted the production manager to tell him that very soon SI might finally hire the right candidate, one who possessed the requisite skills for the job.

Sharma’s second interview was before a panel comprising SI’s general manager (GM) of production, human resource (HR) manager, and assistant vice-president (AVP) of sales. The panel was not as impressed with Sharma as Upadhya had been, so for the final decision, the GM of production called for another meeting with the same panel—but this time included Upadhya.

**Hiring Discussion**

Although the HR manager agreed that Sharma was a good candidate for the job, he expressed concern about Sharma having less work experience (only 4.5 years) than required by the company, and about Sharma’s expectation of a senior position with a lucrative salary (see Exhibit 2). The GM of production suggested that because someone already occupied the senior manager position, Sharma could instead be offered the position of sales manager.

The AVP of sales seconded the HR manager’s contention that Sharma’s salary and career growth aspirations were rather high and that meeting them would place great demands on a small organization such as theirs. He added that retaining such an aggressive resource would be difficult.

Upadhya conveyed to the panel that he regarded their experience in their respective fields with much appreciation. He commended the successful and efficient recruitments carried out by the team up to that point. He further expressed that it was inevitable that SI focus on setting a new growth path, which required new measures to foster new business. He told them that Sharma was the most suitable candidate to implement the plan and that such an aggressive resource could help to greatly increase their business opportunities.

The HR manager voiced his dissension, reminding Upadhya that the recruitment policies in place at the company should not be set aside to hire a single candidate. He also warned that actions incongruous with the professed principles of the company might backfire in the future.

The AVP of sales pointed out that hiring such an aggressive person could put undue pressure on the sales team, as the company was not used to an aggressive work culture. He also suspected that the increased work pressure might have an adverse effect on the firm’s sales growth.

After a prolonged discussion, the panel and Upadhya eventually decided to hire Sharma for a critical position in the organization, at a high rate of pay (see Exhibit 3).

Though Sharma’s expertise was in marketing, he also had skills in production and machinery, making him a versatile employee. Being experienced in nanotechnology, hot press, and CNC machinery enabled him to be an aggressive performer, and he believed in tangible results. Sharma’s exceptional performance from day one at SI galvanized the employees under his supervision to function phenomenally in client acquisition and pooling orders. Thus, anyone would easily have assumed that he was the reason for the increase in the customer base at that time and the sudden increase in the number of orders clients were placing with SI.

The biggest achievement was that the company obtained an important $1,555,331 order from one of its new clients. This order could launch the business onto the path of much-awaited rapid growth. However, in order to meet the requirements of this project, SI needed nano-finishing and CNC machines, along with highly trained employees. In turn, a huge investment was required to buy the machines and hire the trained staff. Eager to expand the business, and keeping the size of this lucrative order in mind, Upadhya tried all possible options to raise the required funds. At that point, raising the bank’s cash credit limit was a tall order, so he searched for private moneylenders. Sharma used his connections to assist Upadhya in these pecuniary matters, and ultimately arranged for a loan from a private moneylender.

About the Project

As the important order had come from a new client, the required specifications and deadlines for the project were not apparent to Upadhya; he had been working on the subtle elements of the project in order to deliver it perfectly. To meet the requirements of the project, Upadhya would have to purchase two new machines: a CNC and a nano-finishing machine.

The lucrative project was the biggest order Upadhya had ever received, involving the assembly of 6,000 doors with nano finishing in two months’ time. Nano finishing was a contemporary German technology. It had been used by automobile companies to put a skin over products that protected them from marks and the adverse effects of dust. The introduction of this machine to the wooden furniture industry was, indeed, a breakthrough. The machine would enable SI to stand out as unique among its rivals.

Key Members of the Project

Considering the project’s requirements, Upadhya assembled a team: Vinod Anand, Sameer Khaan, Nakul Gupta, and Sharma from the finance, HR, production, and marketing departments, respectively. Including Upadhya, it was an aggressive team of five. All team members had been fulfilling vital roles in the organization with their specific skills. In order to keep the entire process moving along, Upadhya divided the project into different modules and assigned tasks accordingly.

All of the HR requirements—such as hiring, training, and job specifications—were assigned to Khaan. The nano-finishing technique had been used only in the automobile industry until then; however, hiring a candidate from the automobile industry and then retraining that person within a short period in the wooden furniture industry would be difficult. Khaan asked Sharma to train the production unit for this project, as he had expertise in nano techniques. Sharma divided the workforce in such a way that the delivery dates of other projects would not be affected. He also divided the workforce into teams according to skill levels so that fast learners, independent contributors, and team members with leadership skills were on the same team. Thus, all of the staff-training responsibilities were entrusted to Sharma because of his experience with the new machinery.

All financial activities, such as loan processing and the analysis of prior loans, were assigned to Anand, who was also tasked with striking a balance in investments between other projects and this one critical project.

Gupta, from the production unit, was aware of the necessity of perfection and lean management, as these had a direct effect on costs. He directed the development of strategic measures to fulfil the goals and objectives of the project and collaborated on the configuration of teams for this and the other projects. Gupta, together with Sharma, began training the workforce in the new techniques.

Sharma was undoubtedly the most critical human resource on the project, as he had a good rapport with the financier and the client. He had previously worked for the same client and was knowledgeable of the client’s requirements. Furthermore, he was skilled in both nano-finishing and CNC machinery. Running things efficiently, Sharma acted as a mediator between the client and the other teams. He clearly articulated all the client’s requirements to the production unit, so that the product could be meticulously manufactured per the specifications. The project depended heavily on Sharma, as he was not only the marketing lead, but also liaised with the financer and acted as a trainer. Sharma was cognizant of the critical nature of the project—and that his promotion relied on its success.

Upadhya worked as a moderator for the team and the client. His dreams of expansion depended on the success of this project, as SI’s approximate total turnover was $3,421,728, and the project alone amounted to $1,555,331. The successful completion of the project would be a tremendous achievement.

Informal Talk with Sharma

The unfavourable message about Sharma and his activities that Upadhya received that chilly December morning had unsettled him, as it was delivered to him soon after SI had made huge investments in the new machinery. His wife confirmed that SI’s biggest competitor was in possession of all of the crucial information about SI’s project. The competitor was vying for an order from the same client and had even made a purchase order for the same machinery. In addition, that competitor was attempting to hire Sharma. The ardent negotiations Sharma had previously made over his salary made the information credible.

Since this situation was a question of the survival of Upadhya’s business, a clarification of the facts was necessary. Losing this project was not an option because of the colossal investments already made in it. To get the facts straight, Upadhya decided to have a candid conversation with Sharma, and so invited him to lunch. They chatted informally and talked about his family.

During the conversation, Sharma revealed that he expected a 100 per cent salary hike and a promotion immediately after successful completion of the project (see Exhibit 2 and Exhibit 4). He also shared news of a current job offer, which was in his preferred location. This was convincing evidence for Upadhya; their discussion assured him that Sharma could indeed be the one sharing confidential information with the competitor. There was also the chance that Sharma would quit his job with SI and join the competitor if he did not get what he demanded.

To consider the facts, Upadhya spoke with all four team members. He inquired about their day-to-day life and their families, with the goal of encouraging his colleagues to be engaged in supporting each other in a safe, family-like environment of trust and respect. He wanted to know if they were facing any problems within the organization. After conversing with the team, he found that Sharma was the only one who expected a sudden pay hike upon completion of the project. He also discovered that his competitor’s son was a close friend of Sharma. All of this led him to the conviction that Sharma was sharing information with the competitor—while also being recruited by them.

Upadhya’s Dilemma

Upadhya wanted to celebrate the promising deal, but this terrible realization had caught him off guard. Realizing that Sharma was sharing data with the competitor and that Upadhya was being tricked by him had put Upadhya in a bad position. He began searching for a sound, well-formulated plan to salvage the project. Another serious question concerned him: should SI retain Sharma or let him go?

Sharma had played a crucial role in the project to that point, and it was imperative to adhere to the deadlines. Sharma’s presence was pivotal, as he had brought the client to SI in the first place. Furthermore, he had all the key information about the client’s specifications and requirements. After such an enormous investment, Upadhya could not bear the cost of Sharma leaving SI.

Upadhya was acquainted with Sharma’s skills and expertise—the way he had started this key project and lobbied for credit from a private moneylender, and how he had trained the production unit on the nano-finishing and CNC machinery. Upadhya felt despondent at the thought of losing such a competent person, and of finding a suitable replacement for him.

If Upadhya did not take drastic steps, it could give employees the perception that they could share confidential information with competitors and go unpunished. This would undermine the morals and values of the organization itself. Upadhya was concerned that inaction on the issue could adversely affect the culture of the organization. In the future, any employee with an offer of employment from another company could demand a salary hike, which would be a tough challenge for Upadhya. Another thought that crossed his mind during this dilemma was the long-term talent management strategy he should adopt: Which business strategy was appropriate for the business—make or buy? The buy strategy put fewer demands on talent within the organization. On the other hand, the make strategy put more demand on the learning aptitude of the workforce, which could be enhanced only through training. Thus, Upadhya’s business strategy would drive the company’s long-term talent management strategy.

Decision Point

Upadhya sat in his office, lost in thought about the entire hiring process of Sharma and about having granted him higher pay without the consensus of HR. The panel that hired Sharma had invested two days in reaching the final decision. Upadhya considered how Sharma had given his best on the job and had taken the business onto an expeditious growth path. Now, with the company so close to fulfilling its dreams, the question of letting Sharma leave was extremely challenging. It would be pernicious to the growth of the firm. Upadhya was worried that if Sharma quit, his client might also revoke the significant order. Furthermore, the loan for the project had been advanced through Sharma’s connections, so Upadhya wondered how the lenders would react and how they would manage such an economic uncertainty. On such short notice, how could Upadhya arrange a trainer for the CNC and nano-finishing machinery? Upadhya deliberated on how to overcome the dilemma of whether SI should retain Sharma. Eventually, he made an urgent call to HR and arranged a meeting.

Exhibit 1: Shirdi infratech Revenue and Profitability

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| **Year** | **Revenue** | **Profitability** |
| 2011–2012 | $1,555,331.00 | $311,066.20 |
| 2012–2013 | $2,021,930.30 | $404,386.06 |
| 2013–2014 | $2,488,529.60 | $497,705.92 |
| 2014–2015 | $3,421,728.20 | $684,345.64 |

Source: Company files.

Exhibit 2: Job Description for Marketing manager

Education Qualification:

1. Bachelor’s Degree in Marketing or Information Technology
2. Master’s Degree in Marketing or a related field

Skills, Knowledge, and Experience:

1. Effective communication skills, good presentation skills
2. Good command of business communication
3. Experience in team management
4. Knowledge of marketing strategy and project execution
5. Flexible work schedule
6. Extensive knowledge of wood material
7. Must have 6+ years of experience in the wooden furniture manufacturing industry

Salary—$9,294–$12,392 per year

Source: Company files.

Exhibit 3: Shirdi Infratech Organizational structure

SI Structure

Managing Director (Pramod)

Director (Anupriya)

AVP, Sales

GM, Production

Product Manager

Technical Manager

Senior Service Manager

Technician

Supervisor

Supervisor

Supervisor

Foreman

Senior Manager

Showroom

Manager

Manager

Senior

Executive

Senior Executive

Junior Executive

Salesperson

HR

Manager

Finance Manager

Junior Executive

Salesperson

Note: GM = General Manager; HR = Human Resources; AVP = Assistant Vice-President

Source: Company files.

EXHIBIT 4: JOB DESCRIPTION FOR Senior MARKETING MANAGER

Experience

* 10+ years of marketing experience, preferably in a similar industry
* Must be a permanent employee of Shirdi Infratech
* Must have been employed for 2 continuous years at Shirdi Infratech
* Experience supervising and managing a professional marketing team

Education

* Bachelor’s degree in Marketing or Information Technology
* Master’s degree in Business or Marketing preferred

Age

* Must be 35 years or older

Required Skills, Knowledge, and Characteristics: Marketing Manager

* Effective communicator
* Demonstrates highly developed [teamwork skills](https://www.thebalance.com/tips-for-better-teamwork-1919225)
* Ability to coordinate the efforts of a large team of diverse, creative employees
* Demonstrated ability to increase productivity and continuously improve methods, approaches, and departmental contribution
* Continuous learner
* Customer-centric and experienced with customized product development. Forecast customers’ upcoming needs
* Demonstrated ability to see the big picture and provide useful advice and input across the company
* Ability to manage continuous change
* Research skills and an ability to identify new opportunities
* Experience executing product plans

Salary—$15,490–$18,588 per year

Source: Company files.

1. All currency amounts are in US$ unless otherwise specified. [↑](#footnote-ref-1)
2. CNC machines were modified with a configuration that could be fabricated up to hundreds of times. Each fabricated item would be precisely the same. In a CNC machine, the functions and motions of a machine tool were controlled by means of a prepared program containing coded alphanumeric data. [↑](#footnote-ref-2)
3. ISO 9001:2000 specified requirements for a quality management system where an organization needed to demonstrate its ability to consistently meet customer needs and applicable regulatory requirements. ISO 14000 was a series of environmental management standards. [↑](#footnote-ref-3)