## ***Gobardhan Bonamali***

## ***Bandhopadhya***

## ***Company (P) Ltd***

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#### By Ravi J Matthai and Ishwar Dayal

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One day we received a phone call from an obviously agitated Mr. Gobardhone Bandhopadhya, the Managing Director of Gobardhone Bonamali Bandhopadhya Co. (P) Ltd. He said that he had read about the management training programmes undertaken by the Institute and had called us in the hope that we might be able to help him out of what he described as a “**very big mess’**.

We went around to his office at Bow Bazaar, and over a cup of tea he told us of his predicament.

**His family had been trading in the cloth marke**t for many years. It was a lucrative business; he had exported goods worth many tens of millions of rupees to **England and Europe**. He had established many contacts abroad and some of them, he admitted modestly, called him Gobar.

“When **import restrictions** are imposed,” he said, “**indigenous products must sell well**.” So in 1955, he and his younger brother decided to add to the family textile business **some manufacturing industries**. They set up factories to make (a) **small tools such as files, chisels, hammers, etc**., (b) **nuts and bolts, and** (c) **hurricane lanterns**.

He recruited **two engineers**. One of them, **Bhaskar Menon**, was to establish the **small tools factory**. Menon had an engineering degree from the UK with five years’ working experience as a **planning engineer**. The other, **Ranbir Singh** was recruited to start the **hurricane lamp factory.** Singh was a graduate in mechanical engineering from a North American Institute of Technology with three years’ experience in two very large engineering companies as **shift engineer**. Both engineers were earning a total of Rs. **750 each** before they joined Mr. Bandhopadhya. Each started with GBB Co. (P) Ltd. on a salary of Rs. **1200 per month**.

For the **bolts and nuts factory**, **Girish Chatterji** was transferred from the **wholesale cloth department** of the Company. Chatterji had taken his MSc degree from Calcutta University and was employed by GBB Co. two years before this venture. He had been a salesman for two years in a pharmaceutical company in Calcutta before joining Mr. Bandhopadhya. Girish was 25 years old when he joined as a **wholesale cloth salesman**. Mr. Bandhopadhya said that Chatterji was intelligent and a pushing sort of person, and he had decided to give him a chance to better his prospects. He sent him **abroad for six months** to learn **how to make bolts and nuts**. On his return he was put in charge of the bolt and nut project on a salary of Rs**. 650 per month.**

Mr. Bandhopadhya registered his private company, set up **three separate factories**, and **invested** Rs. **0.5 millio**n in each factory. His **authorized capita** was **Rs. 3 million**, the **issued and subscribed capital Rs. 1.5 million**. Through his contacts abroad he obtained the **technical know-how for these products**.

The factories were located in a three-acre plot of land in north Calcutta owned by him and his brother Bonamali. The brothers divided the work between the work between themselves, with 30-year-old **Bonamali looking after the factories** and 45-year-old **Mr. Bandhopadhya** looking after **finance, accounting** and **sales of both the engineering products and cloth.**

The company structure during 1955 is shown in Exhibit 18.1.

**Exhibit 18.1**

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| --- |
| Factory  2  (Singh)  Factory  3  (Chatterji)  Factory  1  (Menon)  Bonamali  Bandhopadhya  Lamp  Sales-  man  Small  Tools  Sales-  men  Bolts &  Nuts  Salesmen  Cloth  Dept.  Fin and  Acctg  Dept.  Mr. Bandhopadhya |

Under Bonamali’s guidance, the three factory managers erected their respective factories, installed the plant and started production during mid-1955. **Three salesmen were employed** to conduct the sales of the factory products under Mr. Bandhopadhya’s supervision. They started on a salary of Rs**. 550 each per month**.

By 1958 sales of factory products had reached Rs. **15 million**. The three factories **had 300 workers**, a **B. Com. book-keeper for each factory** and **three engineers** with diplomas in **mechanical engineering**, in addition to the **three managers**. **The sales organisation** had **12 ‘industrial’ salesmen**.

Mr. Bandhopadhya said that the Company was doing extremely well, but trouble had already started.

The **factory managers** liked and respected Bonamali who treated them as equals and tried his utmost to make them **work as a team within the Company**. Menon and Singh, however, being qualified engineers, **would not regard Chatterji as an equal**. According to them, **Chatterji was an unqualified upstart, fit to be a stores clerk**. Bonamali was aware of this feeling and exercised a **restraining influence on the two engineers**. The **resentment** was therefore, not openly expressed, but Bandhopadhya felt that Chatterji, who often visited him at his residence, complained that the others were against him. So **he kept to himself as much as possible** and regarded **his factory as out of bounds to the others**. He even **resented their walking across the shop-floor**.

**Bandhopadhya** said that Menon was perhaps a better engineer, but **Singh’s factory gave higher output and contributed more to the company’s profit pool**. **Menon was reserved and honest, but unbending**; **Singh was a loud extr5overt with drive, inclined to be rash and could strain facts to suit his purpose**. Chatterji was a shy person who felt that his future progress depended on how indispensable he could seem. He often said that he was **not good at talking**, but that he had worked with his hands and had all the **experience of an engineer** without the two letters after his name.

The two engineers, meanwhile, had become extremely competitive. Each asked Bonamali for **expensive equipment** which they claimed **would cut costs**. After examining the return on investment, more often than not, Bonamali would turn down the request. When, however, he gave Menon a new machine for his tool room Singh regarded it as a personal affront.

The idea of the technical skills of a factory manager was expressed more forcibly in the **production sales meeting** which initially took place **every week.** **The factory managers regarded the senior salesmen as unimportant hirelings** who should have been thankful for what they got. Complaints, for example, were dismissed, as far as the salesmen were concerned with “this is a technical matter of which you have no knowledge.” When Bonamali investigated a complaint, the defects were located and corrected.

**Bonamali** had to conduct **every production/sales meeting to make sure that they were constructive**. **Chatterji**, who tried his utmost to show Bonamali how much technical mysticism was involved in manufacturing of bolts and nuts, **was most troublesome in meetings**.

Since there were no experienced persons in the service section, the **factory manager was the technical, administrative and accounting head of his factory at this stage**. Bandhopadhya and Bonamali agreed that the managers should be **trained in the various aspects of the working of the factory**. But, how to release them even for **a short period without disrupting production?**

In 1960 Bonamali hired **four graduate engineers** to work as understudies to the factory managers- **one** in small tools, **one** in hurricane lamps, and **two in bolts and nuts**. The factory managers helped in the selection but promptly **relegated them to sections of the factories** so that they could not possibly understudy the factory managers. As long as Bonamali was in charge, the situation was still under control. Most unfortunately Bonamali was fatally run over by a bus at this crucial stage.

The factories were expanding and Bandhopadhya had invested a further Rs. 1 million in plant and machinery, making a **total investment of Rs. 2.5 million**.

**The entire load of administration fell on Bandhopadhy**a. He could not spend enough time on production. Finance and sales occupied most of his time and nobody else, he said, knew how to **buy textile goods, his first source of profit.**

Meanwhile, **competition in the country** was becoming severe. The **salesmen** were accusing the factories of **inflating costs and lowering the quality of products**. **The factory managers maintained** that (a) they had too **many non-technical jobs to do**, (b) the salesmen, being **non-technical, did not understand the intricacies of the product or the market**, and (c) cost **could not be reduced without more expensive machinery.**

Dissatisfaction grew. To maintain peace, Mr. Bandhopadhya **increased the factory managers’ salaries** substantially. The two engineers now got Rs**. 2,000** each per month and Chatterji **Rs. 1,500**. To save the factory managers’ time to production, and not to have to deal with them directly, he appointed his cousin **Bonkim Banerji** as administrator of the factories. This was immediately interpreted by the managers as a curtailment of their powers and **Banerji was studiously ignored**. The only work that eventually **passed to him** was routine **labour matters.**

Bandhopadhya was also worried about the accuracy of the **financial accounts and the factory costs**. The junior B. Com. **book-keeper**s who looked after the accounts and stores in each factory **were directly under the factory managers** and **could not carry out an investigation**. Bandhopadhya therefore sent his **senior book-keeper to the factories to audit the accounts and investigate costs**. **The factory managers proclaimed** that **the book-keeper wasted their time and made it impossible for him** to do any auditing or investigation.

Bandhopadhya therefore appointed an **experienced chartered accountant**, Mr. Guha, on a salary of Rs. 1000 with instructions to **take over accounts from the factory managers.** Within two weeks the accountant had been intimidated into being a stooge of the factory managers.

Under the pressure of **sales competition and market criticism of the product**s, the factory managers began to submit to Bandhopadhya **requests for machines involving a considerable investment.** The factory managers wanted to set things right with little though to the economics of working the machine. Chatterji was largely prompted by a desire not to be left out.

Mr. Bandhopadhya felt that he had neither the technical knowledge nor the personal contact with the managers to verify the validity of each request. So he merely locked the papers in his right-hand drawer and took no decision on their requests. He decided,

Exhibit 18.2

Managing Director

Accounts

Sales

Production

Accounts Guha

Staff

Banerji

Engineering Agarwal

Factory Manager

Accounts Clerk

Junior Engineer

Mr. Bandhopadhya

Factory 1 (Menon)

Factory 2 (Singh)

Factory 3 (Chatterji)

New Engineer (Agarwal)

Administrator (Banerji)

New Chartered Accountant (Guha)

Sales (Bandhopadhya)

Finance (Bandhopadhya)

however, that an **additional highly qualified engineer was required to act as a screen between him and his managers and also to keep his managers on check**. A qualified engineer, Mr. Agarwal, was employed on a salary of Rs. 2,000 per month and was sent down to the factories to take over. **There were immediate protests from the factory managers and threats of resignation**. The managers claimed they had built the factories with their own hands and refused to take orders from a newcomer of their own age.

Mr. Bandhopadhya explained to them that the new engineer was merely **a liaison** between him and the factories and had no powers to issue instructions. Thereafter the new engineer, Agarwal, was all but relegated to the position **of a maintenance engineer**.

Meanwhile the sales personnel were getting restive. Sales were beginning to fall and Mr. Bandhopadhya decided to keep a close check on sales. The salesman complained about poor quality and said that it was difficult to sell lamps that could not keep out the breeze. The best salesman resigned and joined the largest competitor.

The other salesmen stated that they could not sell more unless they were more mobile. They could not ‘maintain face’ with their customers because of their low salaries. Salaries were raised and ears or motor cycles as needed were provided.

**Costs were now quite out of control**. Net profit before tax had been reduced from 10 per cent on turnover to about 2 per cent.

While all this was going on, the workers in the three factories had formed **a troublesome trade union**. A charter of demands was now on Mr. Bandhopadhya's table which spelled **bankruptcy or a strike.**

Mr. Bandhopadhya had hoped to make the Company work on the lines as given in Exhibit 18.2.

“Poor Bonamali,” said Mr. Bandhopadhya. “Perhaps he was lucky to be killed in the bus accident. For myself, I am going twice per day to Thanthania Kalibari temple for guidance. Meanwhile I have come to you.” Much in need of reassurance, he asked. “Is this not a very big mess?”

### ISSUES FOR DISCUSSION

1. As consultant to Gobardhone Bonamali Bandhopadhya Company, suggest a **workable organizational design** which clarifies **roles, amplifies relationships and contributes to the building up of an effective enterprise**.
2. If you were Mr. Bandhopadhya, **how would you have handled problems** since the demise of brother Bonamali?
3. What kind of **policies, information and control systems** would ensure GBBC maintaining, and enhancing, its **profit margins** in an increasingly competitive environment?