

# Case Study - When It Rains, It Pours....Or Is It - Lose Sight, Lose Might!!!

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What started off as a dream run was on the verge of turning a nightmare. Saurabh Das, CEO of the Milestone Construction Company gazed out of the window towards the traces of Gural of the Kali Pooja Immersion procession. He was almost in a state of shock, struggling to figure out where exactly he went wrong.

Saurabh Das was a man in his mid fifties. He came from a family of school teachers in the rural areas of West Bengal. He was a bundle of contradictions. He was a tough task master, but at the same time very soft hearted. Whenever, he saw poverty around he would melt instantly. He was a top class Civil Engineer who kept himself abreast of worldly affairs by devouring almost all the available newspapers and not retiring for the day without watching News Channels for at least an hour. But an MBA from any reputed college or a person with a decade of experience in Multinationals could mesmerize him. He was bold and confident of his trade and was very comfortable talking to his employees but communicating on bigger platforms gave him jitters. He had finally, learnt to part with authority along with responsibilities but when it came to his dreams and aspirations, he was like a black box. He was a man of few words. He hoped that people who were working with Milestone for the last two decades, would read his mind completely, and even a brief mention was enough. And there was a substantial chunk of such people in the organization. These people used every opportunity to narrate the fables and legends of Milestone and Saurabh to the new entrants.

Almost 20 years ago Saurabh Das started Milestone Construction Company with a sole motto of bringing his family and the generations to come out of the extreme deprivation that they had gone through. From a big zero that he had at the start-up, he had taken the company to a turn-over of Rs. 300 Cr., with his intelligence and business acumen. He aspired for a growth of 100% and had taken bold steps and big risks to achieve the same, in the beginning of the financial year.

The earlier evening he was at the cocktail party hosted by Federation of Builders & Developers. It was a networking forum where, CEOs, Top Managers, Owners of the fraternity, Architects & Consultants, big Suppliers to the Industry, exchanged ideas and socialized once in every quarter. Saurabh Das was fairly regular in attending such gatherings. He liked it over there not just because he could connect with people and keep up with the industry, but also because he used to get the treatment of an icon. Old veterans talked to him respectfully for his tactful but fair maneuvers to

reach where he stood today. Young or new entrants in the industry who did not have any 'Godfather' looked up to him as a trend setter in several aspect and sought his guidance that he was ever so willing to give. Today, it was not the respect what he saw in their eyes, but there was a hint of sympathy. About a month back his most trusted Vice President D Silva, had moved out of Milestone along with the Senior Project Manager, Project Manager, Senior Engineer and a whole team. Sourabh had relied on D Silva so much that these days he never visited the site at all. Whatever feedback D Silva gave him, he accepted it blindly. He trusted D Silva and it was a mutual understanding that D Silva will take care of the running the business, while Sourabh concentrated on the growth of the organization. Sourabh was taken aback when he announced his separation. There was a murmur that D Silva had made almost 50 Cr., by inflating the bills at the site and selling good material as scrap from the site. This was the money that had funded the new venture that he had launched along with the entire pack that had left Milestone along with him. Sourabh had asked for an audit of the site accounts and was waiting for the findings.

In almost sequential manner two incidents happened that disturbed him a lot. How much ever he wanted to leave the gathering, he stayed on to hear more.

One of the young entrepreneurs Dhiren Shah, walked up to him and started discussing the penalty imposed by The Competition Commission of India (CCI) of around Rs. 600 crore on the major player in the industry DLF for abusing its dominant market position. The penalty was imposed after DLF was found guilty of violating the Competition Act, 2002. The fine amounted to 7% of the company's average annual turnover in the past three years. Some of the customers had filed complaints in May the earlier year, the [CCI](#) had referred the matter for probe by the Director General (Investigations). According to one such complaint, DLF had promised to complete one of its residential projects in Gurgaon, in 2009, but buyers had yet not got any possession of their apartments till 2011. In addition, DLF also had increased the number of floors in the apartment complex from the original figure given to buyers. Suddenly the customers who felt they had booked an apartment on the top floor, had at least 2 more floors above them and this fact had distressed them.

All was well till it was a gathering of 5-6 people who were generally and commonly discussing the issue and Saurabh Das was providing comments on how DLF could have avoided being in this soup. One by one people left the conversation for a refill and the only ones who were left were Dhiren and Sourabh. Suddenly, Dhiren interrupted the conversation and said, "I respect you a lot

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Sir so I would like to mention this... no offence meant... but hope you don't run into deep waters with your dream project 'Megh Malhar', on a similar count. Apologies once again Sir, but was it not supposed to be completed 6 months ago? I am a great admirer of your achievements Sir, please don't get me wrong. It just that with the DLF precedence may be customers of other Builders may get similar idea. This could be troublesome. I check the internet regularly and already some of your customers have started blogging negatively about your company and the project these days. I am sure you must have noticed!!!!" Sourabh was fishing for words, when Dhiren looking at his stunned expressions made a quick exit under the pretext of picking up his plate for dinner.

"Hello Sourabh!!!" a familiar voice broke Sourabh's chain of thoughts. He turned around to find Bansal with his hand stretched out for a shake. Bansal was a very big steel supplier in the market. He was close to 65, but people would never believe that. His was a two generation old commodity trading firm and construction Industry was his largest consumer. Bansal was very impressed with this young dynamic lad when he had met him almost two decades ago. With a genuine intent of doing him good in the initial stages of Milestone Construction Company, he had been greatest supporter. He had extended credit and fair prices for volume purchases to Milestone without much fuss. Moreover, he had introduced Sourabh to suppliers of other materials and had put in a good word for him. Sourabh had genuine respect and admiration for Bansal. It took a while for Sourabh to change the track of his thoughts and there was a momentary blank look on him. In the typical Punjabi style Bansal gave him a bear hug and said, "I am still your fan Sourabh, so what, we do not do business with Milestone anymore!!". Sourabh's blank grew deeper. Bansal suddenly realized that Sourabh was not aware of the fact that he just mentioned, so he quickly covered up by enquiring about his family instead. Sourabh too pretended that he had not heard his opening comment and continued the conversation by reciprocal questions about his family, though he had taken a mental note of what he had just heard. He wanted the morning to quickly arrive so that he could do a bit of fact finding. But first, as soon as he went home, he needed to check the blogs that Dhiren had referred to.

Indeed there was quite a bit that was being written about Milestone and its projects, and not everything was in good taste. There were a few negative comments on the design and the elevation too. Milestone had received numerous awards for the design of its projects. Sourabh had ensured that he hired services from one of the most creative Architect. He too had reaped many awards for his architectural capabilities which he got an opportunity to demonstrate in the Milestone projects. Sourabh took pride in the designs of his projects and could not understand why suddenly people had started resenting the designs. He decided to call in his Marketing head Satyanarayan Naidu for the meeting tomorrow, once he was done with Indraneel Bhatt, the Head of Purchases.

Sourabh could not wait till it was 9:30 a.m. the next morning. Even before he started for office, He called Divakar at 8 a.m. Divakar was Head Corporate Communication and a confidant of Sourabh.

Both of them had studied in the same school. Divakar was working in a Multi National Company at a decent position and salary about 2 years back, when Sourabh asked him to join his company. He asked Divakar to call for the database of all the customers. Make separate lists of customers who had taken possessions of apartments in his recently completed projects, new bookings for ongoing project and also the people who had cancelled their bookings in the recent past. He requested him to put 2-3 people on the task of telephonically interviewing at least 10 people in each category. He also asked him to check the internet for any kind of adverse comments that he might get for the company on the blogs. He asked him to work on the deadline of 4 p.m. in the day and give him the feedback on his findings. He had decided he will speak with Satyanarayan Naidu aka Satya after he gets the feedback.

### Meeting with Indraneel Bhatt- Head of Purchases

Indraneel was a college dropout who had joined Milestone as a runner in Purchase department a decade and a half back. It was the time when Milestone planned single project at a time of just 1 or 2 buildings. Mostly, these projects used to be pulling down old construction/bungalows and erecting new apartments. During those days, Sourabh was but obviously, involved in every function of business including purchases. Indraneel was a sharp guy and had learnt a lot by observing how Sourabh went about doing purchases. He was a trusted and loyal employee, so when the business started growing, owing to credibility he had built for himself, the reign of Purchase Department almost automatically came in Indraneel's hands. Indraneel detested the so called experts in Materials Management with Diplomas and Degrees in the subject. He believed that these people are too theoretical and lacked commonsense. With great effort he had upgraded himself to Microsoft excel and looked at the new ERP system as a ghost in the dark room. Just because he was not allowed to ignore it, he had hired an assistant who kept the record in the system up-to-date, while he continued his dealings on the Microsoft excel as usual. He was proud of the fact that although the company had grown ten folds, he still managed the entire show with his trim team of five people. This was, although management had sanctioned to double his team. But today he was a worried man. Somewhere he was getting a feeling that he was losing control. He found himself in a constant dilemma if the stocks in his books and the physical stock matched or not. He also worried that some of the material that was critical from the point of view of finishing of the project was laying idle un-utilized, like the tiles that he had received for Megh Malhar last week. After receiving the tiles, it was told to him that now the architectural design has changed and now he was to order the tiles of a different make and design. He remembered how much pressure he had faced from the execution team to get the earlier lot as they were already behind the schedule then. Unfortunately, 'tiles' was not the only item on the list that spelt disaster. A die hard loyal of the company, he was worried about all the money that was lying dead in the stocks of material. This stock would never be utilized by the company in the near future. He was also worried and perplexed about another fact that these days the suppliers were putting more and more difficult terms than he had experienced in the past. He took pride in the

fact that he was a hard negotiator and got the best prices for the company, but somehow it was becoming difficult to meet the deadlines of payments. There used to be many calls from the suppliers for the payments that he used to unwillingly avoid these days. The result was that the department's work had doubled. To keep looking for new suppliers was a huge task that had increased the already swelling workload for his team of five.

Indraneel felt privileged as usual when he heard that Sourabh wanted to meet him. As soon as he entered the cabin, he bent down and touched Sourabh's feet. Strange as it might feel in today's corporate world, this was a practice that almost all the old employees followed in Milestone. "What is it with Mr. Bansal? Have we stopped purchases from him?" quizzed Sourabh. Indraneel fumbled, "actually, we had stopped in between when he was not offering us credit, but then we had started again". Indraneel was very much aware of the soft spot Sourabh had for Bansal.

"And why had we stopped?"

"Actually, he was giving 30 days credit, but others were offering 45 days, that too at a lesser price"

"And then...?"

"There was higher rejection and delay in delivery by the new vendors, so we had reverted to Bansal Sir." Indraneel knew that if he told the facts from a 'commercial' point of view the whiplash won't be so hard. To update about the current facts and to squirm out of the possible verbal tsunami from Sourabh he quickly added, "Actually Sir, it is they who have stopped supplying us this time around." Through this planted comment, he wanted to surface yet another worry of his to Sourabh.

"And why? May I ask..."

"Sir, actually their payment is stuck for a lot of time now."

Sourabh knew that there was a cash-flow problem. The facts that, an old mentor like Bansal stopping the supply, that he was unaware of it till yesterday, neither his people nor Bansal bothered to take him in loop of events till this stage was reached, bothered him. He wondered if the utter trust he had on Indraneel, was placed wrongly. He had bestowed absolute powers to him and was very happy that nothing about purchases ever came to him anymore. He wondered if no news is indeed good news? Do lack of complaints, actually mean that all is well?

### Meeting with Kelkar- Finance Head

Sourabh walked up to the accounts department to check if Kelkar was in. Very much in his seat, he was fiddling with the numbers and figures in the cash flow. He was trying to figure out how he can make the two ends meet. He was very well aware that he is not going to receive much revenue from the customers till the next slab is cast. The site was in a delay mode and there was no chance that the marketing team could even send request letters to the customers for the next installment.

"Kelkar, what happened to the negotiations with the bank? Is that coming through?"

"Yes it is and we should get the disbursement in about 4 days to a week. That should ease out things a bit. Sir, I honestly feel that we

should not have distributed the incentives that so generously to all the people in the last month. That has made the matter even worse."

"What is done is done Kelkar, we cannot undo the same. You are one of my Pivot team. Had we not discussed this that if we had to complete 'Megh Malhar' by 31st December, we would get huge rebates amounting to Crores. We wanted to motivate everyone to put in their best."

"I understand Sir, we are working on generating more funds, I only wish Marketing department made some more sale and generated some money for us internally. The burden of interests is killing."

For last 6 months Kelkar was wondering what had gotten into Sourabh? All was going well, the profitability was high. Suddenly, there was a gush of ambition and the company invested in enlarging their land banks. Suddenly, there was a decision to start huge projects, an experience that Milestone never had. He was worried about the dwindling profit margins and the burden on the cashflows was taking a toll on him every day. Of late, he had been advised to take a tablet every day to keep his blood pressure under control.

### Meeting with Shukla- Chief Engineer

Sourabh drove down to Megh Malhar site to see the status for himself. He liked the way it was shaping up, but was very apprehensive about the pace of progress. With what he saw, completion till 31st December seemed distant. He could also sense apathy all around him.

As a Civil Engineer, Sourabh was always excited about creating. He always told his fellow Civil Engineers that he would live to make his statement, even after he was no more, through the vastu, because the Vastu would out live any of its creators. This thought had always excited him. He did not sense the same spirit in the generation today.

Shukla, the Chief Engineer, saw Sourabh from a distance and doubled up to him. He was anticipating Sourabh's visits on the site when he heard the rumors that D Silva was not actually on long leave but had separated from Milestone. As they walked about the site, Sourabh noticed a lot of corrective actions being taken.

"Don't you know, correction is sheer wastage, not just of material but of the quality also?"

"Yes Sir, I do understand, but it is a very difficult design to implement. No apartment is like the other. With so much variety, it is becoming very difficult for the Engineers to keep up with every variation. So there have been mistakes. To add to the confusion, the drawings keep on changing. We are never sure of what we are constructing, whether it is final or not?" Shukla though in his mind that with so much employee turnover, he didn't even know whom to hold responsible. Everyone blamed the predecessor for the mistakes.

Sourabh for the first time regretted the liberty that he had given the architect to make as many changes to bring in perfection to the building.

"When do you think we will be able to complete the project?"



Shukla was unsure about what answer Sourabh was looking for. Ideally, he would not like to upset his boss. So for once he decided to give the true picture. "Sir, I think we will need at least another 8 months to a year with the ways things are going".

Sourabh's heart sank. Without losing his cool he asked Shukla, if he was aware that as per the commitment to the customers the handing over should have been 6 months back. He enquired what he meant by another 8-12 months?

"Frankly, Sir everybody's work load has increased, we are adding new people, but there seems to be lack of commitment in the youngster's, plus they are being given higher salaries. They are using Milestones name to enrich their CVs and leave as soon as they get a better salary. The old staff is de-motivated as the work has increased and salaries haven't. Plus, the designs keep changing and the material does not reach on time. What is adding to the pressure Sir, is initially we used to do projects of just 3-4 buildings, now suddenly such a big project!!"

Sourabh failed to understand the last argument of Shukla. To him the logic was very simple. A project of 20 buildings is equal to 5 projects of 4 buildings in the same premises. Why should that add stress to people? Actually, it should take care of so many logistical problems and should yield economy of scale.

"Shukla, I trust you. Come what may, we have to finish this project by end of December. Come to the office with the plan and progress report tomorrow morning. Let us see how we can work it out."

Shukla wondered why a man in his fifties, with only one daughter, who too was married and settled in Australia, wanted to double the size of the organization at this point in his life. Little did he know what Sourabh had in his mind? Sourabh planned to go public two years down the line and wanted to make his old and loyal- the stakeholders of the company by way of ESOPs. He wanted to hand over the baton of Milestone to Kelkar, Indraneel, Divakar, Shukla, Satya and such others as a parting gift when he would retire from the firm in due course. He wanted Milestone to become a real Milestone, for everyone who was associated with it.

It was 4 o' clock and Sourabh knew that Divakar would be ready with his answers and waiting for him in the office, so he rushed back.

### Divakar's Feedback

Indeed Divakar was waiting for him. Looking at Sourabh's body language and facial expression, he could practically read his mind. What he read was not good and what he was about to tell was going to add to that 'not good' feeling. Instantly he decided that he is not going to mention anything about what he read on the blogs. He insisted that Sourabh have his lunch while he gave his feedback. Sourabh conceded considering the dizzy and drained out feeling he had in the whole run of events.

"Yes, Divakar tell me!"

"Since morning, my team and myself have been talking to customers. Like you had suggested we spoke with Customers who had taken possessions of apartments in his recently completed projects, new bookings for ongoing project and also the people who had cancelled their bookings in the recent past. We talked to

about 15 of each. Here is the feedback," "if you wish I have detailed transcription also". He laid a couple of sheets in front of Sourabh that had a summary in bullet points. This is the best he could do in the short time he had since morning.

Feedback from Customers who have taken possession of apartments in recent completed projects:

1. Most of the customers found the quality to be of 'acceptable' category but not excellent.
2. When they had purchased the apartment, though of lower scale of importance, elevation and architecture indeed was an element amongst the deciding factors, however, now that they had moved in they had realized that many of the architectural features inside the house were proving to override the utility factor.
3. As far as landscape goes, it indeed was pleasing to the eye, but customers were worried how the maintenance would be managed, and what would be the extra monetary burden on them once the company pulls out of the campus. They had realized that most of the elements in the landscape had only decorative value and that they would be hardly using most of the amenities.
4. Some of the customers faced cognitive dissonance and felt that for the money they paid they could have purchased a larger apartment that had more utility value.
5. 100% of people were not too happy with the 10 month delay in possession. For almost all the impact was of financial nature like- loss of potential earning through rent, additional interest burden, the extra 10 month rent they had to pay to their current landlords.
6. They felt that even this delay was ok, if the company had handed them flawless apartments.
7. Some of the customers also complained that every alternate incidence that they visited the site, which was about 10 times during the whole transaction, there was a new face in marketing who attended to them. They would have preferred to deal with one person throughout the transaction, but either the person was transferred on other project, or had changed the job.
8. Customers acknowledged that in their interaction with five departments- Marketing, Civil (in the construction phase), Maintenance and Facility, Finance and legal the staff was very committed. But a couple of them retorted that all 5 departments were surely committed, but each one marched to a different drummer.

Feedback from Customers -new bookings for ongoing project

1. The customers were generally and still excited about the size, scale, the look and feel of the project that was printed in the brochure.
2. They had started getting very uncomfortable with the delay and had started visiting the site more often. The more frequently they visited the site, the more the distress. They could observe the corrective actions that were taking place on

site.

3. They were not happy about the abrupt changes that were being made to the floor plans under the guise of elevation.
4. An uncertainty had started setting in if they were going to finally get the product that they had purchased, although they knew that the changes will not be radical or drastic.
5. Some of them had already formed an informal group of the future residents of the project and were already connected via social network on the net.
6. They had sensed the rapid turnover of people and the lack of enthusiasm in the staff on the site and worried even more about the delivery as well as the existence of the company itself in the long run because the maintenance of the project depended on the company in the initial stages.

Feedback from Customers who had cancelled their bookings in the recent past

The discussion was mostly on the reasons for cancellations; the top 5 were as follows:

1. Delay
2. Just about acceptable quality
3. Apathy towards customers by all the other staff except marketing department
4. The content of the recent blogs about the company and its projects
5. Visits to the other projects and interactions with customers from recently handed over projects

### Meeting with Satyanarayan Naidu- Marketing Head

By now Sourabh had started understanding what had been happening, he already sympathized with Satya, as he was the one to receive all the flake of the happenings from the customers. As soon as he entered the room Sourabh offered him a cup of tea and laid the paper given by Divakar in front of him.

A very emotional person Satya's eyes became moist as he read through the paper. He had seen those days of Milestone, when customers were gaga over all the factors that they complained about today. Forays of memories stormed in while Satya read through the paper. Unfortunately they were unpleasant memories of the way customers speak with his team. The isolation they feel when other departments are not in synchronization with the customer promise. The constant changes in the drawings that make them end up in a losing battle with the customers.

There were no words exchanged except-

"What is it that we must do to come out of this?"

"Sir, we should deliver the project with great quality to the customers by 31st December, and get out of that project"

What started off as a dream run was on the verge of turning into a nightmare. Saurabh Das, CEO of the Milestone Construction Company gazed out of the window towards the traces of Gulal of the Kali Pooja Immersion procession. He was almost in a state of shock, struggling to figure out where exactly he went wrong.

He introspected, Why are the people not seeing the way he thought?, Were the people ready to become stake holders?, Where exactly did he go wrong?, From where should he start correcting the situation?