

Turnaround for small sector: A Case of Dairy Project

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ABSTRACT: Turnarounds are organizational renaissances from decline. The purpose of this study is to analyze the intricacy of dairy project and action taken to resolve the problems. The paper discusses a turnaround of Patna Dairy Project and also highlights the process done by National Dairy Development Board.

KEYWORDS: Turnaround, Patna Dairy Project, National Dairy Development Board, Anand Pattern.

1 INTRODUCTION

Turnaround strategy is a corporate practice designed and planned to protect (save) a loss-making company and transform it into a profit-making one. Turnarounds are organizational revivals from decline. The decision was made to define corporate decline as a loss situation, and turn around as equivalent to reaching at least a break-even from a loss situation [10]. A turnaround is truly a turnaround only when the company regains investor confidence and become a player of some repute in the market or niche in which it operates. It has been observed that a study on turnaround strategies without relating them to the cause of sickness may not be of much use to potential practitioners, as the choice of strategy would largely depend upon the perceived caused of sickness [8]. The sickness as the loss of an organization's capacity for normal growth and profitability, and turnaround is nothing but the regaining of such capacity [9].

A good majority of Indian work on turnaround has primarily been concerned with large corporate and public sector organizations only. It is much more difficult to achieve turnarounds in organizations which are big in size (p.233), or operating in the service sector (p272) [11]. Further public sector organizations prefer "humane" rather than "harsh" turnaround which involves staff reduction and retrenchment. Public sector organizations prefer reorganization strategies over the retrenchment or repositioning strategies [1], [9]. Turnaround must be sustainable [2]. The realization regarding its potential for resuming sick organization, some of them having strategic importance for socio-economic development are, however, very much there. Hence, the view is that "a deeper study of turnaround mechanisms may greatly enrich the armoury of the behavioral scientist" [4]. The importance of such a study involving the small scale sector cannot be overstated, given its potential of generating employment without much pressure on already constrained utilities. It is against this background that in the present research paper an attempt is made: (i) to know and analyze the series of episodes together with the particular facets of external interface management as well as that of internal resource mobilization resulting in the triumphant turnaround of Patna Dairy Project (PDP), and (ii) to see if there is anything that can be of particular relevance to the small scale sector. The paper has been structured as follow: a) the project, plant and its processing capacities; b) the takeover and after; c) talk about the approach to renaissance; and d) assessment and conclusion.

2 THE PROJECT, PLAN AND ITS PROCESSING CAPACITIES

Patna Dairy Project (PDP) was started in the year 1981 through the National Dairy Development Board (NDDB) in Bihar, India. NDDB handed over the arrangements of Patna Dairy Project (PDP) to Vaishal Patliputra Dugdh Utpadak Sahkari Sangh

Ltd.(VPDUSS) with effect from 1st July, 1988. The Company is ISO-9001:2000 and HACCP (IS-15000) certified by Bureau of Indian Standards in March, 2002. (Source: <http://www.indiamart.com/patna-dairy-project>).

The project has been honoured with “Best Productivity Performance” Award for the four years 200-2001, 2001-2002, 2005-2006 & 2006-2007 by National Productivity Council, New Delhi. The Chamber Commerce Association of Patna has honoured VPMU (Patna Dairy) by providing Vanijayakar Ratna/ Bhamashah Samman in the month of January 2010. This is a rare honour by any of the dairies in India. (Source: <http://www.indiamart.com/patna-dairy-project/aboutus.html>)

The Project has two plants under its control, the Feeder & Balancing Dairy and the Cattle Feed Factory. Of these, the first is a composite milk processing unit which handles capacity of one lakh litres of milk per day at Phhulwari-Sharif, Patna, Bihar, India. The Cattle Feed Factory is sited at Jagdeo Path, Patna, Bihar, India with an installed capacity of one hundred tones per day, located closer to Feeder & Balancing Dairy Plant.

The milk processing plant is operational to receive milk both in cans and tankers and has machineries for chilling, pasteurization, homogenizing, separation, standardization and storage. The pasteurization line can handle 12,000 litres of milk per hour and tanker milk can be received by it at the rate of 18,000 litres per hour. There is also provision for making spray dried powder such as skim milk powder, whole milk powder etc. at the rate of 5mt per day and for making pasteurized table further including packaging in retail packs at the rate of 3 tones a day. The milk processing plant also has services for packaging pasteurized milk both homogenized and un-homogenized.

Moreover, the dairy has also been provided with one refrigeration plant with capacity of 120 tones per day, two oil fired boilers for steam generation, two deep tube wells, a water softening plant, an effluent treatment plant for storing 40,000 litres of milk, a deep freeze for storing 30 tones of butter and a laboratory.

The Cattle Feed Factory can manufacture 100 tones of different types of food per day and has machinery for conveying, grinding, batching, molasses mixing, palletizing, drying and bag filling etc. The Cattle Feed Factory also has warehouse for raw materials and finished products.

Both these plants were set up by the Government of Bihar as part of a grandiose scheme to emulate the much acclaimed Anand pattern. It was envisaged that the milk producers would be helped to organize themselves into cooperatives and milk from such cooperatives would be fed to the Feeder and Balancing Dairy, which in turn would supply milk to Kolkata after the local demand. The Cattle Feed Factory was set up to provide balanced cattle feed to the milch animals and thereby reduce the cost of milk production.

It was expected that the Anand pattern cooperatives would benefit the farmers by giving them a more remunerative price which would act as a direct incentive for augmenting production. It, too, was visualized that the regular supply of milk from Patna to Kolkata would help the organized sector to capture a commanding share of the liquid milk market in Kolkata and would, thus, force the cattle's out of the metropolitan areas to the rural areas.

All the lofty aims remained, however, only on paper. Accordingly, NDDDB was requested by the Chief Minister of Bihar in 1979, to take over the management of the project with a view to streamline its working and improve its viability. The actual takeover, however, could take place on October 15, 1981.

3 THE TAKEOVER AND AFTER

The NDDDB started working on the turnaround of PDP by positioning an integrated Spearhead team in Patna in August, 1981. On taking over the project on October 15, 1981, the Spearhead team started working by identifying the problem areas. It, first of all, initiated a programme of repair and renovation. Consequently, the Feeder & Balancing Dairy was re-commissioned on December 15, 1981 with considerably reduced staff and supply of milk to Patna was once again in resumed. The plant processed 109 lakh litres of milk during the period from October 1981 to March 1983 as a result of which the percentage utilization of plant increased from 6 to 54%. Likewise, the working of the cattle feed plant was also streamlined. The plant at the end of March, 1983, produced up to 650 bags of cattle feed per shift as against the 60-100 bags per shift before it was taken over.

It seems important to note here that at the time of its takeover by the NDDDB, PDP was in a dreadful form. The producers were unhappy because the plant was not giving them right price. The consumers, too, were not happy as they were not getting adequate good quality milk. The project, at that time, was handling from 3,000 to 6,000 litres of milk per day out of which only 300 litres used to come from farmers. The whole purpose of dairy was, thus being defeated. The machinery of the two plants was either damaged or had its parts stolen..

The smooth functioning of the project, however, was contingent very much upon regular and adequate supply of milk from the primary societies. It was with this aim in view that Spearhead team, went about its task of organizing and strengthening the village dairy cooperative societies by adhering to the Anand pattern (Source: <http://www.nddb.org/English/Genesis/Pages/Anand-Pattern.aspx>). The pattern, in short, entails/involves [3] a survey of milk routes, calling of a general body meeting of the village to discuss the creation of a cooperative society, and electing a management committee responsible for starting the society and appointing the necessary staff. This system turned out to be so successful that by the end of March, 1983 not only all pre-existing 40 village societies were restructured and revitalized but the total number of societies was also raised to 237, with a corresponding increase in the number of milk routes from 6 to 15. It all helped the project managers in restoring the confidence and trust of the producer members in the effectiveness of the village cooperative societies, and ensuring regular and timely supply of the milk to the dairy. The lack of credibility of cooperative institutions in the mind of local people often serves as a major stumbling block in their successful introduction (Singh and Kelley, 1981). The managers of the PDP appear to have successfully countered this problem by ensuring that payment is made to the producers quickly. This is made possible by getting the billing work of the village cooperative societies computerized. Besides, the societies are provided detailed information about the payment made to them. All the payments are effected through Account Payee's cheques that are honored by all the branches of the banks at the time of presentation without referring to the main branch. This is the result of a special arrangement between the PDP and its bankers.

The project, over the year, continued to be popular among the people on a wider scale also because provision was also made to provide relevant technical inputs and extension facilities in its areas of operation. In the year 1982-83, the project initiated artificial insemination (A.I.) service and veterinary first aid service. First aid was also started in 85 societies during the year. The sale of balanced cattle feed was further extended to cover larger areas. The project's management distributed more than 12 quintals of high quality fodder seeds amongst the producer members with a view to encourage fodder development programmer. Work was also initiated for opening of 20 Dairy Demonstration Units in the area.

Besides, emphasis was also placed on extension, education and training programme. Thus, by the end of March, 1983, the project management sent forty farmers to Anand under Farmer Induction Programme. Another ten farmers were sent to National Dairy Research Institute, Karnal for orientation programme. Special talks were also arranged for farmers at the Feeder & Balancing Dairy and the Cattle Feed Factory at Patna. This talk was attended by 450 farmers from the milk shed area. This number became 1480 included wherein were 600 women too during 1986-87. During this year, the project sent 140 farmers to Anand under the induction programme and 42 secretaries for training in First Aid and Artificial Insemination.

It was, thus, on account of these endeavors that by the end of March, 1987, the total number of functional societies under the project was 617. All of them were making profits and were financially stable. These societies were highly responsive to the economic needs of the villagers and were active not only in milk business but were also engaging themselves in other activities beneficial to the milk producers on particular and rural folks in general. They were not only providing livelihood to 25,000 families but were also providing an efficient and effective infrastructure for launching various programme of rural development on a massive scale in rural areas at no additional; cost and without any permanent liability to the government.

The revitalization of PDP on such a scale was made possible by a number of factors, prominent amongst which was the fact that the Spearhead team of the NDDB was in fact, a very enthusiastic and highly motivated group of people who "would like to win, not lose". The team in all consisted of 36 members coming from a various disciplines but working single mindedly for revitalizing the project.

Another thing that helped in reviving the project was an earlier decision taken by the project managers following which they not only downsized the staff but also changed the composition of its manpower. Fresh, young, energetic, enthuse people, coming directly from the college, were taken in and trained to work for the project. These people were recruited as well as worked as officers, but at the same time they were equally qualified to see the work through on their own. This decision later on proved to be very useful when the workers tried to have a show down. The workers of PDP have, however, been on strike since 1982. There have, however, been instances when the Project's Management had to take a strong view of their work behavior by playing a bad school teacher in so far as it has to be rude and threatening to them.

4 THE APPROACH TO RENAISSANCE

The managers of the PDP clearly recognized the need for a systematic approach that eventually helped them, albeit progressively, attain successfully the goal of revitalizing the project. More specifically, they were found to have followed an approach that contained the following:

- A programme of repair and renovation;
- Reduction in the total number of staff;
- Recruitment of young and fresh mind people;
- Bringing in a culture of self-reliance that placed emphasis on capacity to take challenges in future;
- Making provision for technical inputs and extension services;
- Computerization of payment and billing;
- Manpower development;
- Organizing and strengthening the village cooperatives;
- Instilling confidence in the producer members in the effectiveness of the system of village cooperatives;
- Demonstrating the efficacy of village cooperatives as instrument of comprehensive development; and
- Developing a system wherein both in the case of external interface management as well as internal resource mobilization the objectives and interest of project were made to appear to all concerned as beyond compromise.

It, however, seems important to note here that even though the Project Managers were very clear about their strategy from the very beginning, the turnaround of PDP could never have taken place but for the realization on the part of the Government of Bihar that it's working needed to be streamlined. We, therefore, conceive that turnaround starts with *articulation*. The process of articulation involves the identification of different problems and needs of the sick unit as perceived by not only the owner agency but also the outside person or team that is called by the farmer to perform the turnaround trick.

Once the need of the ailing unit are identified, there follows the process of mobilization wherein an attempt is made to get the tiring move, both within and outside the organization, towards making the revival strategy successful. In the case of PDP, the mobilization process involved repair and renovation of the plant, changing the composition of the manpower, organizing and strengthening the village cooperative societies, entering into an agreement with the bankers to the project to ensure quick payment, and making provision for extension and training programme both for the producer numbers and project staff.

To the extent that the mobilization efforts are instrumental in making the revival strategy, successful they get legitimized. This legitimacy is clearly reflected in the extent to which different stakeholders such as owners, unions, customers and governmental bodies' etc. start having confidence in the plausibility of the revival strategy as also in their strength to make it successful. In the case of the PDP, legitimization was evidenced very much in the growing confidence of the project staff in their ability to make things happen even in the face of threats such as a sudden strike/ walk off by the workers.

The process of turnaround can never be completed without some kind of institutionalization in so far as it always requires for a long-range growth strategy to be formulated and certain core values to be planted deep into the culture of the concerned organization. Institutionalization, in this sense, involve the process by which different organizational process, obligations, and actualities come to take on a rule like status both on the levels of cognition and action of the numbers of the organization, and, therefore, come to be regarded as both necessary and appropriate by then for serving its legitimate goal. The fact that the workers of PDP have never been on strike since 1982 may be regarded as some proof of this process having played a role in its turnaround. Likewise, there surely be somewhat more proof forthcoming on this point when the NDDB team will not to be there to manage the project.

5 ASSESSMENT & CONCLUSION

The above analysis of the obtained results suggests that the successful revitalization of PDP resulted from a definite sequence of events that could be safely assumed to have included the four processes of articulation, mobilization, legitimization and institutionalization (or what can collectively be referred, also as AMLI). To the extent that they answer satisfactorily the questions left unaddressed by the earlier studies of turnaround their applicability across a number of setting/situations may be regarded as worth of further testing and study.

PDP was started in 1977-78 with an initial investment of Rs.297.8 lakhs. In 1986-87 the projects turnover was Rs. 10.04 crores as against that of Rs. 5.52 crores in 1985-86. The project as such, cannot be regarded as coming within the small scale sector. Given the peculiar propensity of most of the units belonging to the small sector, to fall sick soon after their establishment, the case of PDP; has, however, some very useful insight to the time of its takeover by NDDB in 1981 the PDP had only 40 villages dairy cooperatives under it, whereas in March 1987, the total number of functional societies under the project was 617. The turnaround of PDP was, thus, more a case of establishing village cooperative and preventing the same from going into red than that of revitalizing one or more sick units. It does obviously help to be in the lookout for possible traps and potential failings along the path to progress and prosperity. The case of PDP clearly indicates that the first step in

the formulation of any action plan for turnaround should be to look for all possible sources of frailty and failure both in terms of human as well as organizational resources available to an entrepreneur.

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