

DIAGNOSES

presents analyses of the management case by academicians and practitioners

Surviving the Recession: Venus Jewel—A Case Study from the Indian Diamond Industry

Indu Rao and Deepti Bhatnagar

Case Analysis I

S Manikutty

Professor

Indian Institute of Management, Ahmedabad

e-mail: manikuti@iimahd.ernet.in

The case is a portrayal of Venus Jewel Company, based at Surat, a prime centre for diamond polishing in India. Faced with the recession of 2008, the company has emerged a little battered and bruised, but optimistic and ready to rise again.

It is remarkable that the company stuck through the recession without any layoffs, basically a decision arising from the values of its founder, Sri Sevantibhai Shah.

Venus Jewel is a star performer and a standard setter in the diamond polishing industry. Sri Shah has set high standards for quality of workmanship, customer service, timely deliveries, and consistency of quality. He also emphasizes loyalty of his workers and takes excellent care of them through a variety of welfare measures. The climate is one of mutual trust and respect.

The caring policy of the company is likely to pay rich dividends, as it did in some companies like Matsushita during the Great Depression and the post-World War II years and Nucor during many downturns. Refusal to lay off his workers reflects the courage, determination, and the strong sense of values of Mr. Shah. Besides breeding a sense of loyalty, it makes good business sense as well, since once the downturn is over, his workforce is ready. Most of the competitors resort to layoffs, but diamond polishing being a skill-intensive business, getting the workers back once the recession is over, may not be easy. Finding their old workers (many of whom may have migrated out of Surat) or finding new workers and training them may not be easy and could turn out to be expensive.

It is also clear that Sri Shah is very particular about the value systems in the organization. No one raises his voice or treats others with disrespect. All are encouraged to think positively (Sri Shah is an example of this). Grievances are

This issue of *Vikalpa* has published a Management Case titled, **Surviving the Recession: Venus Jewel—A Case Study from the Indian Diamond Industry**, by Indu Rao and Deepti Bhatnagar. This Diagnoses features analyses of the case by S Manikutty, Jacob D Vakkayil, and Abhishek Goel.

handled selectively.

Many “professional” managers and consultants will, I am sure, find Sri Shah’s behaviour highly personalized, centralized in himself, and patronizing. They may even opine that Sri Shah must adopt more “professional” practices now that Venus is an upper mid-sized company. I disagree. Many of his practices are based on sound logic and common sense. The company is still not in a stage where he has to yield his judgments to policies and procedures. The organization clearly has great strengths, and Sri Shah’s apparently patronizing policies are precisely what enable him to rise above being a mere manager to being a leader.

Sri Shah as A Leader

How does Sri Shah fare as a leader? He is clearly a leader who leads by example—everyone from the owner to the lowest employee eats in the same canteen. He has established a strong bond with the workers—who take pride in belonging to Venus—and has provided a meaning to their work by redefining the way the industry functions. He is constantly asking what he can give, not what he can extract.

Most importantly, he rises above merely managing to leading through inspiration. He clearly enhances the energy levels of his workforce, a sure sign of a leader.

Can Venus Survive?

This is really a difficult question to answer. Clearly, if the recession becomes worse and is protracted, Venus may not survive. It is still a relatively small firm. But if the recession lifts hopefully by March 2010 or so, Venus will be back fully in business, perhaps even more vigorously than before.

A question may be raised, as to what extent the firm is dependent on one individual, Sri Shah. There is no evidence in the case that he has groomed his successors; hopefully he has, from his family members. But there would probably be a need to make it clear as to who would succeed him, and why. It may be unfair to assume that Sri Shah has not thought about it. He would perhaps also need to actively give responsibilities to others and stand back.

Otherwise, I would share Sri Shah’s optimism – that Venus will bounce back – more healthy. ♡

Case Analysis II

Jacob D Vakkayil

Faculty
Indian Institute of Management, Calcutta
e-mail: Jacob dv@iimcal.ac.in

The case illustrates the dynamics of change and continuity in tradition-bound industries often dominated by family businesses. The diamond cutting and polishing industry in Surat operated as a close-knit community of associated persons. The industry thrived without utilizing elaborate contracts and modern management practices, by utilizing the power of trust nurtured through informal networks often rooted in strong community affiliations. Since many employees had little or no education, these binding forces have been extremely important and

seemed to have exerted much influence in various aspects of the business.

As is typical in the industry, the company highlighted in the case is a traditional family-run firm. In such companies, key decisions are most often made by the patriarch (most important/senior family member). The leadership style elaborated in the case corresponds well with the widely known image of the paternal leader, who is characterized by high degrees of benevolence and firmness, in many Indian firms. For example, like a strict school master, “Kaka” dis-

ciplines his penitent employees by asking: “Did you consult me before going on strike? Why consult me now?” In response, the employees play the part of dependent wards and realize their “mistake” and meekly return to work. In exchange for magnanimity and a willingness to take care of them, even in hard times such as recession, workers willingly display trustworthiness, obedience, and hard work.

The image of the family is often invoked to reinforce this relationship and is exemplified by declarations concerning employees such as, “I feel he is my nephew or niece.” To the importance attached to family in India, this points to mutual long-term commitment and relationships within the company that are governed more by unwritten social norms and roles than by highly specified job contracts.

But what makes Venus special? The answer seems to lie in the balanced mix of these features and modern business systems and tools with attention to innovation in many spheres. With reference to its employees, the company realized the importance of providing a “healthy environment with social security, welfare benefits, and the best wages in the diamond industry.” Although many employees had no formal education, they seemed to be aware of these benefits. For the company, it was important to “not only provide these benefits to the employees, but also explain to them the importance of these benefits.” It is commendable that the company proactively does this without waiting for force or coercion as is the case in many instances where goodies are handed out in response to unrest. Moreover, there is also a highly detailed incentive scheme for employees. Thus, unlike elsewhere in the industry, the contracts of employment invariably get formalized through these arrangements.

Such systematization and enhancement of traditional practices are also reflected in the way diamond specifications are displayed on the packets and the creation of a highly elaborate “Venus Grading System” for diamonds. In addition, the trusted “*Angadias*” who traditionally transported diamonds from the factory are being supplemented by modern high-value courier services.

Another observable change is in the direction of integration of operations. The separation between business and manufacturing units was bridged by locating offices and production unit in the same place. This was a bold move considering the “status” differences between employees engaged in these two areas.

Integration seemed to have been urged by the need to be responsive to customer needs in the shortest possible time. This focus on the customer and the subsequent need for integration seemed to have motivated the early adoption of technology and the subsequent investments in strengthening these systems. Through the use of technology, customers were able to view offerings and specify requirements online. Though the web and online services smoothened transactions, the web was not used for creating mass awareness of the company and its products. Customers invariably arrived through the tried and tested method of word-of-mouth channels. Here again there seems to be an optimal combination of the traditional modes of business in the industry and the new systems that can leverage the possibilities of technology.

Going forward, the current focus on employee welfare could probably be supplemented with a greater focus on development by setting benchmarks for the industry. This would ensure a more mature workforce that is able to convert the product of its development more meaningfully to company growth. The focus on customer responsiveness is likely to become more important as competition in the industry becomes intense. The company might do well to proceed further on this path by making additional investments in technology and streamlining of processes for fast, customized response.

The challenge before Venus Jewel is to continue with its synergetic balance between traditional business practices and modern processes and tools. While the company’s success in doing this has been commendable, it is likely to face newer, diverse challenges in the future with the expansion of business operations and the invariable infusion of professional managers into the company on a larger scale. Learning from the crises of succession that have plagued many family-run firms in India in the recent past, Kaka and

other senior members of the family need to specify a clear road map of the future especially concerning

the nature and scope of individual roles of the family members.▼

Case Analysis III

Abhishek Goel

Faculty, Behavioural Sciences Group
Indian Institute of Management Calcutta
e-mail: agoel@iimcal.ac.in

Overview

The precious nature of the product that Venus Jewel deals with sets an expectation of a higher degree of formalization, and maintenance of trust at various levels. Most organizations in the diamond polishing industry are entrepreneurial in nature. The case of Venus Jewel is about an entrepreneur and his trust-building practices at various levels in the diamond industry. His focus on building strategic human resource practices that support various stakeholders and build confidence in them has seen his organization through a slowdown phase in the contemporary world economy.

This case diagnosis is carried out from two perspectives—(a) leadership style of Mr. Shah and eventual trust among various stakeholders and (b) strategic human resource management practices at Venus Jewel.

Leadership and Systems

The case opens with an instance highlighting the Venus Jewel (VJ) workers' display of support and solidarity for Sevantibhai Shah (Kaka). The reported interaction has strong emotional undertone and it is clear that the workers at VJ look up to Kaka as the head of the family. It strongly correlates with and supports evidence for a paternalistic leadership style followed successfully in most Indian family-owned organizations (Singh and Bhandarker, 1990; Virmani and Gupta, 1981). The leader in such cases acts as the guiding force for the followers, and is considered the "head of the family."

Here "nurturing" leadership gets priority over task-based leadership (Sinha, 1979). The paternalistic style clearly sets a bottom line for establishing trust between the workers and the management of VJ. The workers and other members are thus more positive about contributing to the organization and therefore certain rules are clearly set for building a positive workplace (Cameron, Dutton, and Quinn, 2003). In contrast, the case also highlights that once the leadership disowns its followers (laying workers off in this case), the followers may choose not to contribute any further when the need arises. Even if the workers choose to re-join their units, it is likely that the concern about their own security and welfare might overwhelm their commitment and contribution to the organization. Consequently, the costs of operations in terms of salary and other benefits sought would rise. In addition, there would be loss of productivity due to the absence of citizenship behaviour, and also more constraints to creating a positive work climate.

Such measures that promote trust and voluntary contributions to organizations are of importance to workplaces where systems are by and large informal. As seen in this case, the functioning of diamond polishing units is based on informal relationships at various levels,, such as with couriers—*Angadias*—for ferrying diamonds. Informal systems like these require both discretion and consistency so that various stakeholders do not find a conflict in actions and values of the organization. Thus, the systems in such organizations would require to replicate the care bestowed by the leader, set tasks, goals, and other processes clearly, and be consistent.

Kaka turns out to be a vigilant leader, who successfully creates systems and sets organizational processes that reflect his own and the organization's stance of valuing human performance and other forms of contribution to the organization and the society. VJ's system of providing the best amenities, egalitarianism amongst various classes and cadres, creating benchmarks and guidelines for polishing and sorting diamonds, sending one solitaire diamond per packet for clarity, and sharing stock information with interested buyers together create a system that is hard to replicate. In essence, it promotes trust between VJ and its workers, clients, and the social system that it belongs to. Collectively, they result in the system being more open and accessible to various stakeholders and creating a trust-based eco-system. This ability to build strong trust-based systems is clearly one competency of Venus Jewel that makes it shine like the brightest star in the industry. Considering the Indian preference for accepting decisions from the top and having a personal touch, it is quite likely that such style could serve as a good model for the future leaders (Chhokar, Brodbeck House, 2007; Kakar, *et al*, 2002; and Sinha, 1995).

Strategic Human Resource Management (SHRM) at Venus Jewels

In the current thinking on SHRM, VJ case is a clear example of designing a system that focuses on people and their contribution to the organization, rather than simply managing or micro-managing people (Lengnick-Hall, *et al*, 2009). The HR activities at VJ drive individuals and therefore organizational performance, and create an interdependent system of task and job roles (Exhibits 2 and 3) that is also in line with the organizational requirement of maintaining a set of values. VJ is therefore an example of being a pioneer in adopting systems where HRM becomes a strategic activity and a capability that is hard to emulate (Evans, 1986; Tichy, Fomburn, and Devanna, 1982;

Wright and Snell, 1991; and Wright and McMahan, 1992).

Another important characteristic of the leader and that of the organization at VJ is to contribute meaningfully to the ecosystem that it belongs to. The organization can be rightly called a high performance work system (Evans and Davis, 2005). It is also an example of a leading organization in an industry that has enough influence in creating meaningful social networks as suggested by Collins and Clark (2003). It would therefore be interesting for academics/longitudinal researchers to follow this organization for a few years to find out if the case really adds value to Collins and Clarks' work in the context of a different country and industry.

The Third Eye

The organizational practices depicted in the Case reflect a strong alignment between the leader's values and those that get promoted in the organization. The culture of the organization shows strong influence of the leader. The organization and its systems are dependent on one person; decision-making is centralized (indicating informality and centralization in the organization) which makes the organization more vulnerable. From the case, it is not clear if the organization has a clear succession plan in place.

While the case writers have presented a good question in asking what is so different at Venus Jewels, a well-wisher for Venus Jewels would also pose another question...

"Kaka, I appreciate what you have done for this organization, its people, its customers, and the society at large. How do you make sure that it goes on the same trajectory of growth, progress, and achievements, once you decide to watch things from distance?" 🐦