

MUMBAI DAIRY COMPANY: LESSONS IN MOTIVATION

Professors J. Stewart Black and Allen J. Morrison 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 8:10 a.m. on Friday, and 36-year-old Peter (Pete) Anderson, general manager of Mumbai Dairy Company (MDC), was mentally preparing for his upcoming meeting with the marketing and sales teams, which was to begin in 20 minutes. The bi-weekly meeting included Jai Patel, the marketing director, Satvik Jain, the sales director, and the 12 people of their immediate staffs. Anderson had hoped that a marketing report that Patel created would serve as the foundation for a deep discussion about how the company could sharply increase its revenues. Unfortunately, the report did not arrive in Anderson's inbox until late Thursday evening. Only after he arrived at the office early Friday morning was he able to dig into Patel's report. Instead of finding a detailed summary of the market conditions and an analysis of options and recommendations, Anderson found mostly repetition from an earlier report, which was thin on specifics and devoid of meaningful analysis or recommendations.

Anderson could not help but notice that none of those attending the meeting had yet arrived at their offices. The longer he sat, the angrier and more frustrated he became. Anderson could not help but think that Patel's behaviour was indicative of the local marketing and sales staff members' indifference to their jobs. When he had first arrived in Mumbai, some six months earlier, it seemed that the staff had been most attentive. But those early days were long gone.

Anderson was deeply concerned about a steady deterioration in the company's performance, but he seemed to be the only one—besides his Singapore-based boss, Kevin Wei. Wei was the Asia regional vice-president of US-based Liberty Dairy (Liberty), which held 49 per cent equity in the joint venture that controlled MDC, and was Anderson's line manager. Anderson had been seconded full time to MDC and formally reported to MDC's management committee; however, it was Wei who could have the biggest impact on his next move and career progress after MDC.

Wei had made it clear to Anderson that Liberty had targeted South Asia for growth over the next 10 years. Furthermore, Wei stressed that this venture in India was just the beginning of what could amount to over \$100 million¹ of investment in the country over the next five years. But despite Anderson's best efforts, sales and profits had been down for the past four months. Within the week, Anderson was to fly to Singapore to review MDC's performance with Wei. He was not looking forward to the meeting.

COMPANY BACKGROUND

MDC was formed as a joint venture (JV) three years prior to Anderson's arrival in India. The JV included Father's Dairy (Father's), with 51 per cent ownership, and Liberty Dairy. Under the terms of the operating agreement, MDC was charged with producing and marketing value-added dairy products, including but not limited to branded milk, yoghurt, ghee (clarified butter), paneer (Indian cottage cheese), creams, and ice cream. In addition to splitting start-up capital, each partner in the JV contributed different capabilities. Father's links to supply chains and strong government relationship management expertise was viewed as a good match with Liberty's competencies in value-added manufacturing, marketing, and branding. While the geographic focus for the JV was the Indian state of Maharashtra, it was anticipated that the scope of the JV would soon include all of the country.

The JV provided access to the potentially large and growing Indian market for value-added dairy products. India's population was expected to exceed that of China in 2023,² and its economy was projected to triple in size to \$8.4 trillion during the decade of the 2020s.³ While India's value-added dairy market was not well developed nationally, it was expected to be an attractive growth opportunity for both Father's and Liberty in the years ahead.

FATHER'S DAIRY

Father's Dairy was over 70 years old and was 94 per cent owned by the Indian state of Maharashtra, which had Mumbai as its capital. Father's Dairy acted as a cooperative that purchased raw milk from local farmers at set—and often subsidized—prices. Historically, Father's had received state subsidies and had focused on supporting farmers, not on making profits. However, as evolving technologies required ever more capital and free enterprise models were becoming more prominent in India, state officials were opening up to private funding options for government entities like Father's.⁴

Before it entered into the JV with Liberty, Father's had focused solely on buying raw milk and then selling both raw and processed milk to distributors and food-processing companies. While Father's branded milk was sold throughout the state, it had no direct experience making other value-added dairy products. MDC was Father's first equity joint venture.

Father's hoped that partnering with Liberty would enable it to access new technology, capital, and the marketing savvy necessary for a move into value-added dairy markets. Through profit sharing, the JV could also provide a steady stream of funds, which Father's could use to expand its fleet of collection trucks, modernize its bulk raw storage facilities, and upgrade its pasteurization capabilities.

LIBERTY DAIRY PRODUCTS

The Chicago-based Liberty Foods Company, with \$32.4 billion in revenue, included three divisions: baked goods, dairy products, and beverages. The dairy products division encompassed over 400 fresh, frozen, and shelf-stable products. In the United States, its brands were typically in the top five in each category. Liberty Dairy had sales of \$14.1 billion, with 82 per cent of revenues coming from the United States and the rest split almost evenly between Europe and Asia. Global profit margins before interest and taxes had averaged 6–9 per cent over the past decade.

MDC was the Liberty's first and only investment in India. Liberty's India operations reported to Kevin Wei, who was also responsible for the Liberty's business activities in Singapore, Malaysia, Thailand, the

Philippines, and Indonesia. Liberty had opened its Singaporean regional office four years earlier, and this office had been run by Wei ever since.

DECISION-MAKING AT THE JOINT VENTURE

The JV reported to a three-person board of directors that included Wei, representing Liberty; Sanjeev Singha, the chairperson, appointed by Father's; and Puja Agarwal, also representing Father's. All three members of the board worked full time for their respective organizations, and they met together at least quarterly to review the joint venture's goals, assess performance, and discuss strategic priorities. Day-to-day decisions impacting MDC were left to the general manager. Given the perceived importance of marketing to the ultimate success of MDC, the JV operating agreement specified that MDC's general manager would be provided by Liberty, while the board chair would be appointed by Father's.

EARLY HISTORY

Once established, MDC was quickly granted a licence to produce dairy products in the state of Maharashtra. During the first year, the partners together invested just over \$21 million in yoghurt and ice-cream equipment—the company's first targeted product lines. Where appropriate, products were marketed using Liberty's US brands, giving the company added credibility with some consumers in the Indian market.

Much of the JV's early sales went to institutions with links to the state government. These included hospitals, schools, colleges, and government canteens. After the first year, sales were expanded to include private food service institutions, including restaurant chains and company cafeterias, but sales to state-related institutions were responsible for the majority of revenues. Within two years, MDC had become the third-largest yoghurt producer and the fourth-largest ice-cream producer in the state.

The first general manager of the JV (Anderson's predecessor) was a seasoned "operations person," with two previous JV factory start-ups to his credit as well as several years of experience in various capacities in Asia (mostly in operations) and a string of positions back home in the United States. After three years in India, he transferred back to the head office in Chicago. Before this predecessor moved back to the United States, he and Anderson overlapped for just two days—a time Anderson described as "most helpful."

ONGOING OPERATIONS AND LOGISTICS

MDC was headquartered in a modern office tower near the financial district in Mumbai. It leased a floor of Class A offices, with a reception area that included both MDC and Liberty's logos. To ease distribution and ensure proximity to Father's raw milk facilities, MDC's bulk storage and processing facilities and its finished-goods warehouse were located about 40 kilometres (km) away in an industrial park.

MDC had approximately 300 permanent workers and about 100 additional temporary workers, who had been added almost a year ago to cope with the increased output at that time. Workers included factory employees, truck drivers, and sanitation staff. While there had been a recent decline in sales, no temporary workers had been cut because it was anticipated that sales would soon rebound as the company built up retail sales. The factory ran 18 hours a day with two nine-hour shifts, each with one 30-minute break for meals and two additional 15-minute work breaks. Because there was no place to eat near the plant, employees received free meals at MDC's cafeteria, which was inside the factory. Due to poor public

transportation from the city out to the factory, a company bus picked up employees at two locations in the city, dropped them off at the plant, and took them back after their shifts.

LEADERSHIP AT MDC

The senior leadership team at MDC consisted of five people: Peter Anderson and four direct reports, all of whom held director positions (see Exhibits 1 and 2). The company also employed 90 additional supervisors, sales representatives (reps), and managers, who reported to the four directors. All supervisors worked at the production plant. All sales reps and managers worked out of the head office.

Members of the MDC senior leadership team seemed to get along well with each other. Generally, there was a relaxed and collegial atmosphere in the office. While Anderson believed that his direct reports had always been deferential and friendly toward him, he was still aware that the culture at MDC was much more like that at Father's and had little in common with the culture at Liberty.

Pete Anderson

Anderson had been in India as the general manager for about six months. He had joined the US parent company fresh out of graduate school, where he had completed a master of business administration (MBA) degree with a focus on consumer marketing. He had moved up quickly in the company, becoming brand manager for Liberty Dairy's Greek yoghurt product line. MDC was his first international assignment. He explained the circumstances surrounding his appointment as the JV's general manager:

I had been searching for an unusual assignment for the past couple of years. When I heard about the opening in India, I was intrigued. I contacted Kevin Wei—someone I had known for a few years—about the position. He told me that, despite a successful start, the company needed fresh leadership. MDC was now ready to both expand its product line and move much more forcefully into selling its full portfolio of dairy brands via retail and not just institutional channels.

My wife was also excited by the opportunity in Mumbai. Neither of us had lived overseas. She had taken some time off to stay at home with our new daughter and seemed happy to stay out of the corporate grind for the two or three years that we expected we would spend in India. She also appreciated that the company would provide free high-end housing and a car and driver whenever she needed to go out. Together, we were also delighted with the 40 per cent bump in compensation we would receive as expats living in what was recognized as a challenging location.

The move to India happened so fast. We had just eight weeks between the time we made the decision and when we arrived in Mumbai. When we arrived in Mumbai, a car and driver met us at the airport. Our drive in was an eye opener. The traffic was horrendous. The heat and humidity were stifling. Until you experience it, it is difficult to imagine.

Still, Anderson believed that, in many ways, this was the perfect opportunity for him. He had a strong background in marketing and believed that he would clearly benefit from the natural rise of the Indian consumer market. He knew that if he wanted to move into a senior executive position at the parent company, he would need both international and operational experience. The position in Mumbai seemed like the perfect fit. His job was to help the JV shift focus from enterprise sales to the consumer market and to grow the business into new product lines.

During his first month in Mumbai, and with the full support of MDCs' board of directors, Anderson, hit the start button on the company's diversification. He quickly made the decision to make a \$37 million investment in plant renovations and new equipment, which would increase the company's yoghurt and ice-cream production capabilities, and new equipment to produce ghee, frozen desserts, paneer, and coffee creamers. Four months later, all of these lines were up and running, albeit at less than full capacity. Not only would the new products enable MDC to expand sales to existing customers, but they would also provide the company with products that could be sold directly to retail customers through grocery stores. This was an area where Liberty's marketing and branding prowess would pay big dividends. To ensure the success of the new product launches, Anderson secured an additional budget of \$7 million to support sales, marketing, and promotion over the coming year—a big bump from the previous budget of just \$800,000.

INDIA

MDCs' current challenges were significantly impacted by India's political, economic, and social environments, which were complex and often poorly understood. After achieving full independence from Great Britain in 1947, India had faced enormous and widespread poverty, and the government had soon nationalized much of its economy. A large swath of companies in the steel, mining, telecommunications, banking, airline, electrical generation, shipbuilding, insurance, and construction industries were taken over by the government. In the early 1950s, legislation was passed that required all businesses to receive government licences not only to start operations but simply to expand. The government added barriers to international trade and essentially blocked foreign investment in India. Bureaucracy and layers of business barriers blossomed. India was fast earning a reputation as the poster child of socialism and economic stagnation.

By the 1980s, forced austerity measures and a growing realization that the status quo was not working resulted in a slow but accelerating shift in public sentiment. Foreign investment barriers were loosened, and new mechanisms were introduced that allowed private businesses to borrow internationally. One industry that had been targeted by government regulators, information technology, began to distinguish itself from those that had been nationalized. Before long, hundreds of Indian technology companies were born, some affiliated with US and Japanese multinational companies and others that were homegrown. Soon, software companies and back-office services began to flourish in India. The depth of English language proficiency among the country's educated workforce gave India a distinct competitive advantage over neighbouring China.⁵

Labour Unrest

The election of Narendra Modi in 2014 ushered in an era of greater privatization and economic liberalization. Many nationalized companies were transitioned to the private sector.⁶ Modi also moved decidedly in favour of labour reform.⁷ In particular, Modi made it harder for companies to unionize, made it more difficult for employees to join unions once they formed, and made it easier for companies to fire employees who belonged to unions. These policies were cheered by corporate bosses but were met with harsh opposition from labour groups and many blue-collar workers. In 2016, an estimated 150 to 180 million Indian public-sector workers went on strike to protest Modi's privatization plans.

In 2020, India was hit with what many regarded as the largest strike in the history of the world, when 250 million people took part in a labour stoppage.⁸ The strike was organized by 10 trade unions but was joined by millions of farmers from a range of farmer unions. The farmers were protesting what they called "anti-farmer laws" that they feared would remove price supports for agricultural products. After mass demonstrations in Delhi, the Supreme Court of India issued an indefinite stay of implementation for the law. More recently, the acrimony that had characterized the relationship between the government and

farmers appeared to moderate. Modi's decision to provide modest payments directly to farmers helped dampen their concerns. There were also ongoing discussions about further reducing the role of the government in cooperatives, thereby allowing farmers to sell their products to value-added processors.

Infrastructure

India's infrastructure had suffered from decades of inadequate investment. Geography also added to the problem. The country stretched 3,200 kms from north to south, from the Himalayas to the tropical Indian Ocean. While the country had 5.23 million km of roads, more than 2 million km of these were unpaved. In fact, more than 60 per cent of the country's rural roads were dirt and subject to frequent washouts during the monsoon season. National highways, represented less than 2 per cent of the country's total road network. This, together with a highly fragmented trucking industry and complex regulatory and tax codes, made it difficult to ship long distances, including across and between states.⁹

Labour Structure and Wages

Indian workers were entitled to receive at least the minimum wages that were set by their respective state governments. These rates were reviewed every five years and were based on a complex set of criteria that recognized over 400 different employment categories. Each category came with a minimum daily wage and a monthly wage that also included allowances for rent and changes in inflation.¹⁰

Despite the multitude of rules and categories, the minimum wage bands in India were quite narrow. For unskilled labourers working in Maharashtra, the base wage was about \$140 per month, inclusive of government employment taxes and fees. The minimum wage for semi-skilled labourers was just \$10 more, at \$150/month; for skilled labourers, it was about \$170/month.¹¹ Companies were free to pay more than the minimum wages.

Indian companies with more capital tended to offer somewhat higher salaries to attract the best people.¹² In contrast, government employees in India were typically paid approximately the same base salaries but received benefits packages that were, on average, nearly 50 per cent higher than in the private sector. In addition to wages, most enterprises with foreign invested capital were expected to provide workers a daily food allowance, transportation to and from work (if the company was located outside of public transit routes), and work clothes.

Organized labour was increasingly making its presence known in both state-controlled and private enterprises. Workers were demanding better working conditions and higher pay and were increasingly using strikes in state and foreign enterprises to make management take their demands seriously. While some strikes included multiple unions, most were company specific and focused on salary disputes and higher productivity demands by firms.

Working Environment

While generations of Indians had lived through economic stagnation and poverty, the future was looking brighter. A decade of economic growth rates over 6 per cent per annum had lifted 300 million people out of poverty in India. An estimated 600 million Indians were now classified as middle class.¹³ There were signs of growth and progress everywhere, from new airports to impressive high-rise office buildings and glitzy shopping malls.

Despite the economic progress made, the effects of decades of socialism and bureaucracy continued to affect many Indian companies and their workers. Employees were used to strict rules and expected clear

direction from their bosses.¹⁴ They faced wage deductions for coming in late or leaving early. Indian culture recognized hierarchical authority and encouraged employees to accommodate work requests made by their bosses. Age and seniority were markers for respect and important criteria in career advancement. Once hired, most workers expected life-time jobs.

For all employees—whether in the public or private sectors—the combination of long commutes, pollution, noise, and often difficult living conditions heightened overall stress levels, leading to losses in productivity. One of the MDC’s supervisors summarized his working day:

I am at the office from nine in the morning until six at night. But I honestly believe that I could get my job done in 12–15 hours a week. I spend the rest of the time walking around, web browsing, or chatting with my officemates. Maximizing my free time is important because I arrive at work already exhausted and stressed. I need some slack time to be able to cope and have any kind of balance in my life. To be honest, the company doesn’t pay me that much, and so they don’t really expect that much from me.

Another important phenomenon was the widening inequity between office workers and factory workers as the country moved toward industrialization.¹⁵ In India, most office workers were required to have college degrees or professional certifications,¹⁶ whereas factory workers generally had no formal educational requirements. This education differential was showing up more and more in workers’ compensation, with most office workers making twice what factory workers made. Factory workers were increasingly uncomfortable with this wage gap. After all, office workers operated in nice, air-conditioned offices, while factory workers had to deal with noise, heat, cold, and humidity and did physically demanding and often dangerous tasks.

THE DAIRY INDUSTRY IN INDIA

India was one of the largest producers of milk in the world, supplying almost 200 million metric tons per year. Maharashtra state was the seventh-largest milk producer in the country. Each of India’s state governments set up its own dairy cooperative(s), with the primary objective of assisting farmers, who were typically poor and uneducated. Cooperatives came together through a national milk grid that allowed for the transportation of milk products across state lines when it was necessary.¹⁷

In 1991, new national regulations allowed for the creation of private dairy processing plants.¹⁸ As sales increased, pressure mounted on cooperatives to become more commercially oriented. In 2002, additional policies were announced that removed restrictions on foreign dairies setting up in India. By 2019, nearly 2,000 private dairy processing plants were operating in India.¹⁹

While each state organized certain unique aspects of its dairy cooperatives, all shared a legacy of bureaucracy and a resistance to change. Profit making and competition were foreign concepts among the cooperatives. Managers were considered effective if the milk trucks arrived on time to collect the raw milk, if farmers were paid on time and kept relatively happy, and if there was little spoilage of inventory.

For those who worked in cooperatives, the pay was poor, but jobs were typically guaranteed for life; there were essentially no incentives to develop management skills in areas such as marketing, quality control, product development, or finance. In most cooperatives, seasonal surplus labour was retained even if there was no work for the employees to perform.

Value-Added Food Products

Buoyed by rising income levels, the fast-moving consumer goods industry was expected to double in size in India, from \$110 billion in 2020 to \$220 billion in 2025.²⁰ Within this industry, the packaged food market was expected to reach \$70 billion by 2025.²¹ Nowhere was the opportunity for growth greater than in ice cream. Whereas ice-cream consumption hit 22 litres per person in the United States in 2020, it was just 0.4 litres per person in India. Comparatively, this was less than 15 per cent of the level in China.²² The good news for MDC was that this Indian consumption level had been growing at nearly 15 per cent per year.

Western food companies had been circling India for years and had welcomed the more open policies of the Modi government. Mondelez International Inc., whose brands included Chips Ahoy, Cadbury, Ritz, Philadelphia, and Triscuit, reported \$1.2 billion in revenues from India in 2021.²³ Nearly 11 per cent of Unilever's global sales in 2021 came from India.²⁴ And Nestlé SA reported sales of \$1.7 billion in India in 2020.²⁵ These companies had all targeted India for rapid growth in the coming years.

Still, some foreign companies were having a difficult time in India. Danone SA, the French food giant and dairy leader, had shut down its dairy operations in India in 2018. It had been making yoghurt, ultra-high temperature (UHT) milk, and other value-added dairy drinks in Punjab. However, given limited profitability and limited opportunities to grow its more profitable nutrition business, it decided to shift its focus to a segment in India that it believed it could dominate.²⁶

MDC'S CURRENT CHALLENGES

Patel arrived at his office at 8:20 a.m., covered in sweat from the oppressive heat and humidity. Anderson waited impatiently for him to drop by his office. Five minutes later, Anderson saw Patel in the hallway and asked him to come and see him: "I read your report, and I must say that it was disappointing." Anderson commented, in a stern and disapproving voice. Patel seemed puzzled and concerned. "Mr. Anderson," he said, "I don't understand." He continued:

The report includes everything you asked for. And it's all we have in terms of data. I have to rely on my staff to collect the data. Perhaps I have been a little lenient on my staff lately because they've been overworked in the last couple of months. I need at least two more people, but I haven't heard anything from my HR manager. She says she's looking, but I don't see anyone at my doorstep. Having the personnel department located at the factory is a little inconvenient, and I am not sure we are a priority to them.

After the conversation ended, Anderson went to the conference room for his meeting with the sales and marketing teams. Still upset, Anderson knew that, while getting mad at the group might be cathartic, it was unlikely to solve any problems. Anderson's main concern right now was the question of declining sales. Ignoring Patel's rather lame report, Anderson decided to press the sales director, Jain, for his input. "Why do you think our sales are declining?" Anderson asked. Jain explained:

It is the rainy season right now. People don't eat as much yoghurt or do as much cooking when it's hot and muggy and pouring rain. Also, it is hard for all salespeople to reach their target accounts in one day because of bad road conditions. Not only this, but their cars are not the most reliable. To be honest, we are working as hard as we can.

The others around the table nodded their heads in agreement. Anderson also wondered why the sales volumes of some of MDC's larger institutional accounts were slipping. When Anderson asked specifically

about this, Jain simply repeated his rainy season explanation. Again, everyone nodded in agreement. When Anderson asked if there were any other ideas or if anyone had a suggestion for turning around declining sales, the room fell silent. Sensing that there was not much value in continuing the meeting in his agitated state, Anderson ended the discussion and concluded the meeting early.

With the meeting over, Anderson called in his assistant, Priyanka Dutt, a second-generation Indian American who was working for MDC as an intern between the first and second years of a US MBA program. He gave her an assignment: to keep an eye on the sales and marketing teams and to prepare a short report on their working norms by Wednesday of the following week.

Performance Shortcomings

While there was some truth in Jain's concerns about the rainy weather, to Anderson, the decline in sales and profits had been apparent for at least three months—well before the heavy rains started to fall. During this time, other competitors had gained market share from MDC. So clearly, MDC's rivals were doing something right. Also, revenues had not declined in past rainy seasons.

Anderson began to seriously question whether his senior leaders were up to the task. He had clearly explained to Patel what he needed to see in the marketing reports. He had even given Patel a template, with sections plainly labelled, to serve as a research guide. Anderson had also personally coached Patel for months on how to do proper market research, and Patel's reports had initially been well done. However, more recently, short-cuts were evident in everything Patel did. Too often, Patel, as well as Jain and the others, seemed to just be going through the motions. Did Patel, and for that matter Jain, simply not have the skills required?

Given these patterns, Anderson suspected that the performance shortcomings were more closely tied to employee motivation. He had taken to heart the rumours that told him managers and salespeople believed they were paid too little and worked too hard. Consequently, Anderson had put together a proposal to raise wages for supervisors; managers (including salespeople, all of whom were included in this general employee category); senior managers; and directors (see Exhibit 3).

When he had floated the idea past Kabir Kuman, the operations director, he expected his support because, as a senior director, Kuman would enjoy significantly increased compensation according to the plan. Instead, Anderson got from Kuman a look of caution: "You must know," said Kuman, "now is not a good time to unsettle the workers. I am hearing that, even now, the factory workers are hinting about striking." Anderson's reply that MDC's factory workers were already being paid significantly more than workers in other factories did not seem to move Kuman.

While sales were down for the year by 15 per cent, profits were down by nearly 40 per cent. The fact that the JV was still profitable would be of little consolation to Kevin Wei, with whom Anderson would soon be meeting. Wei would undoubtedly know that domestic Indian dairy competitors in other states were readying a full-frontal attack in Maharashtra state. With the greater brand recognition of some of MDC's competitors, including several foreign firms, Anderson worried that MDC's first-mover advantage was at risk of slipping away. Anderson felt that MDC had a narrow window of time to gain traction in the consumer segment in order to hold off future attacks. At the same time, its success in the state of Maharashtra would be critical in launching a national expansion down the road.

The next Wednesday, Anderson received Dutt's report on the work norms of the marketing and sales teams:

Marketing and sales staff members continue to trickle in around 9:00 a.m. The day normally begins with everyone at their desks, doing their own thing. By 10 or 11 o'clock, the department is almost empty. Some will be out running personal errands. Those left behind are either sitting behind computers cruising the Internet, socializing, or even napping.

My few lunches with them have been most useful. I found out that they feel the pay is too low at MDC. Also, most are not happy with how things are run. Many of the newcomers also feel that there is no room for career growth. Also of note: there have been three resignations in sales and marketing in the last two months. People are tired of putting in long hours. They feel that they are overworked and underpaid.

THE UPCOMING MEETING WITH KEVIN WEI

In preparing for his meeting with Kevin Wei in Singapore, Anderson had now pretty much determined that the planned pay increase was necessary. However, he was not convinced that this alone would solve the sales problem—and it would certainly worsen the JV's short-term profitability. He mused,

I can't see any way to avoid a pay increase. People like Patel think they are worked too hard for what they get. It's no wonder they do slipshod work. Paying them a competitive salary can only help them take their jobs more seriously. Of course, it won't solve all our problems, but I don't think there's any way to avoid a pay increase.

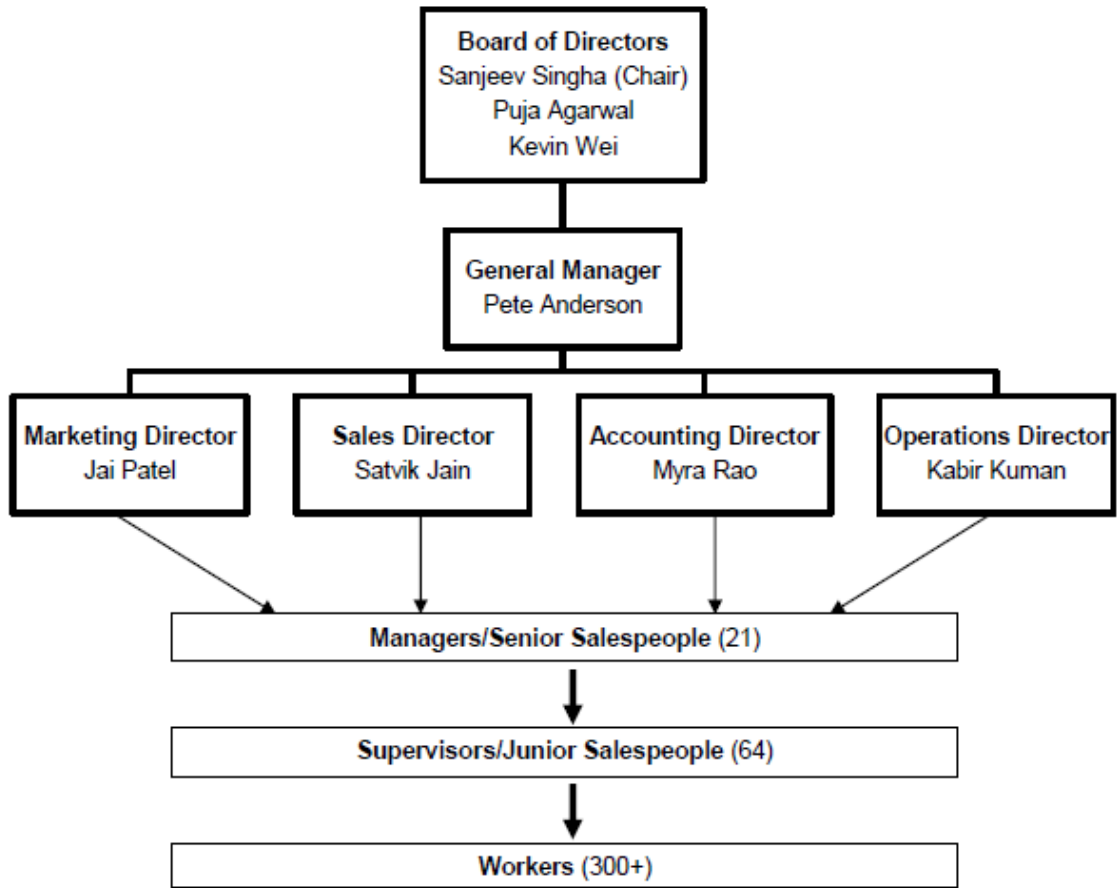
Anderson was also concerned about Kuman's warning that he should "avoid unsettling the workers." Despite Kuman's concern, Anderson just did not feel it was possible, from profitability or competitive comparison perspectives, to significantly raise workers' wages. At the same time, the company could not afford a strike. The economic and reputational effects, as well as the overall impact on morale, could be devastating.

As the meeting with Wei approached, Anderson could feel the knot in his stomach getting tighter. A marketing job back home seemed awfully appealing at the moment:

Thinking about this meeting with Wei has caused me to be more introspective. I realize that, the longer I live here, the more frustrated I become. I used to be able to make things happen. Here, it sometimes feels as though I'm trying to push water uphill. I also find myself missing things back home more. Even my wife has commented that I seem unhappy and a bit more irritable. She hasn't gotten over being fascinated with the place. I have. Still, she seems to spend a lot of time planning our next home leave.

Anyway, I have to make some tough decisions. Wei will want answers, not excuses.

EXHIBIT 1: MUMBAI DAIRY COMPANY'S ORGANIZATIONAL CHART



Source: Created by case authors.

EXHIBIT 2: LEADERSHIP PROFILES: MDC'S BOARD AND SENIOR LEADERSHIP TEAM

Sanjeev Singha

Mr. Sanjeev Singha, aged 64, was chair of the joint venture (JV)'s board of directors. He had previously been a senior administrator in the State Department of Agriculture, and currently, he was serving as Father's president and managing director. As chair of the JV, Singha had taken a largely arms-length approach to MDC's operations. However, with declining operating results, Singha had become more engaged in board meetings.

Puja Agarwal

Ms. Puja Agarwal, aged 53, was the senior director of finance and planning at Father's. She had been with the company for over 25 years, and along with Singha, had been actively involved in negotiating the JV during its formation. At Father's, she reported directly to Singha and had been helpful in keeping her boss briefed on developments at the JV as they emerged.

Kevin Wei

Mr. Kevin Wei, aged 41, had a master of business administration (MBA) degree from Cornell University and had worked for Liberty his entire professional life. Many within Liberty believed that Wei was on the fast track for further promotions and that his position in Singapore was designed to groom him for a C-suite position at headquarters. He had a reputation as a demanding leader who focused relentlessly on both top- and bottom-line results.

Jai Patel

Mr. Jai Patel, aged 46, had come to the JV soon after its formation. Just 10 months prior to joining MDC, he had worked as a supply chain manager within Father's. After nearly a decade of part-time studies, he had recently finished a bachelor's degree in marketing at a local Indian university. His appointment as marketing manager at MDC had been championed by chair, Singha.

Satvik Jain

Mr. Satvik Jain, aged 40, was the sales director and, in theory, reported directly to Anderson. However, he was several years younger than Patel, who treated Jain as though he reported directly to him.

Myro Rao

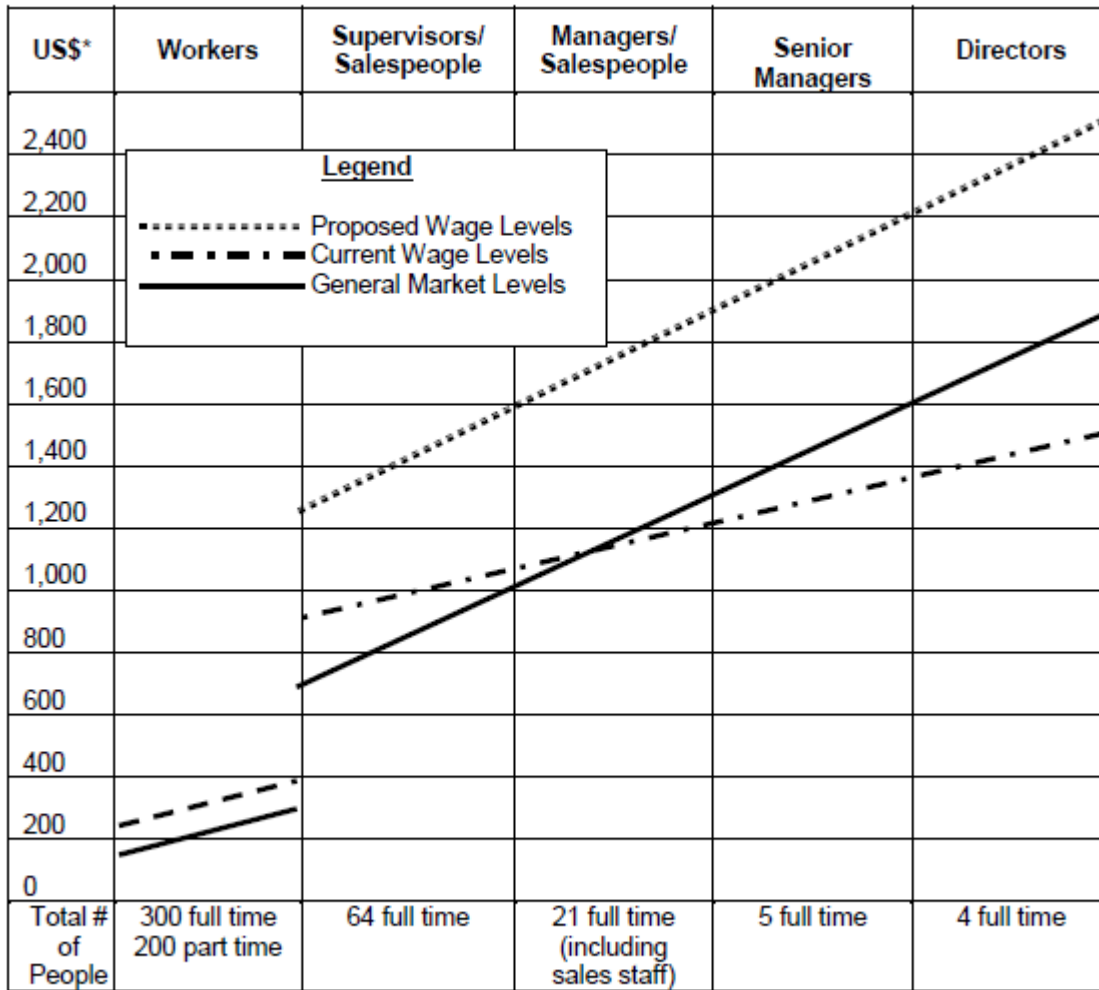
Ms. Myra Rao, aged 38, was the director of accounting. Rao had a bachelor of business administration (BBA) degree in finance and accounting from a local university and had worked in the accounting section of an Indian technology company prior to joining MDC two years earlier.

Kabir Kuman

Mr. Kabir Kuman, aged 57, was the director of operations at MDC. He had been recruited from a privately-owned ghee production company based in Delhi, where he had served as deputy head of operations.

Source: Created by case authors

EXHIBIT 3: MONTHLY WAGE DISTRIBUTION FOR MDC EMPLOYEES



Note: *Local wage levels converted to US\$ to facilitate analysis.
 Source: Created by case authors.

ENDNOTES

¹ All currency amounts are in US dollars unless specified otherwise

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