
CASE STUDY ON DECISION MAKING AT VIBRANT PAINTS- IS IT RATIONAL?

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Abstract:

The case represents a company named Vibrant Paints who faced a huge loss because of a decision taken by the accounts manager to stop paying transit insurance. It tells about the incident that a company faced and they suffered losses for several years.

One evening Akhil was sitting in his office and was just thinking about the sequence of incidents that had happened a few months ago. He was trying to understand the impact of the decision about transit insurance on the reputation of the company. He was planning to meet his friend Sonu who is the marketing manager to understand the sales growth of the products sold. Just then he got a call from the CEO of the company to meet him.

Introduction

Akhil, a young enthusiastic accounts manager was posted in Vizag, India, to take charge as the new account's manager in Vibrant paints. He was the most sought after candidate as he was edged with a certificate in SAP. Vibrant paints had its manufacturing plant in Rajasthan. The paints were shipped to various centres through roadway across India and were stored in warehouses. These centres then transported the paints to distributors via trucks through roadways. The entire demand and supply were triggered and automated by SAP.

Background

The paint industry in India is over 100 years old. Vibrant paints was the first company which started its operation in 1902 in Kolkata. The major competitors of Vibrant were Asian paints which had a market share of 39% and Berger paints with 12% market share. The domestic Industry in India is estimated to be Rs. 500 billion, with the decorative market constituting 75% and 25% catering to automobile, packaging and protective coatings. Indian per capita consumption of paint stood at 4.1kg in 2019. Supply exceeded demand, shorter festival season and monsoon further decreased the demand, however a wide variety of colours were available to the end users.

Vibrant was the first company to use SAP in the paint industry in India. The company spent nearly 24 lakhs on purchase and installation of the software. The usage of this not only fostered their sales but also quickened the process. They manufactured 70,000 shades of paints and had 24 crore worth inventory in all their state level warehouses. Even during the off- season the company used to make four crore profits. The Branch where Akhil works receives every month an order worth Rs.40-50 lakhs. Every order they dispatch to the customer is insured by an Insurance Company so that any transit loss if occurs is covered. The company has had a tie-up with the insurance company for 20 years and the company was paying about Rs.8,00,000 for transit insurance every year for the past twenty years. The paint was transported in special buckets to which chemicals were added to keep them in liquid state. The buckets were transported through trucks carrying 16-21 tons of stock. Not only the company used to insure its transit goods but also covered itself by taking warehouse insurance. However, they never claimed any insurance as no accidents occurred during transit of goods over the years. Akhil seeing the past insurance records of the company wanted to save money for the company and looking through the lens of an accountant he advised the management to do away with the transit insurance. Reports generated using SAP were of great help to Akhil to know the history of insurance payments. The management heeded to his advice without much deliberation from their side and withdrew the insurance on that one transit to their warehouse which was 1750 km far from Rajasthan.

As destiny has its own course, after withdrawal during a transit, one of the trucks carrying goods worth 1 crore met with an accident in the by-lanes of Vizag in the early hours. The company incurred a huge loss. All the paint buckets were dented with paint oozing out. By the time the company official reached the spot, all houses in that area were lit up bright with colours. The company shifted all the goods to another truck and transited it to vizag and then the stock in dented buckets was shifted to new buckets. This incident had a huge impact on the reputation of Vibrant paints as the chemical used to save the basic property of Paints was lost with the impact of accident and the company made another mistake to cover some loss by shifting the paints from dented bucket to new. For six long years they suffered losses as they lost the trust of distributors and thereby the customers after this incident.

Akhil was disappointed with this incident which he never expected to happen. All the employees started whispering about Akhil and his decision making. Though the employees were discussing about the incident that occurred, Mahesh, the CEO of the company did not blame Akhil for the decision. Mahesh is known for his motivation and inspiration he used to give his employees. He empowered his employees to make decisions that they feel right and trusted them by involving them in the decision making.

When Akhil heard the gossip he felt that he needed to do something for the company so that the loss is reduced. Though they did not insure with the help of an insurance agent, he created false records reflecting that insurance premium was paid to the company prior to dispatch. And the company received the claim amount from the insurance company for the damage that was done. Though they were able to receive the amount, a huge inventory got stuck in warehouses. The company took nearly seven years to win back the trust and to get profits. Akhil was contemplating his decision of taking things for granted and regretted how he overlooked the fact that every business has an inherent risk hidden. Akhil got up to take charge as he knew what was over was over, he rose with a hope and determination to revive the name and fame of the company. However Akhil's determination was not bigger than the guilt he had in heart, with many sleepless nights and no inspiration to continue job, he gave up, he resigned the company and tried to forget the incident over years. With passing years when he started seeing big sports players and film stars endorsing the brand he felt very happy for the company and thanked god for the revival.

Teaching Notes

1. A Synopsis of the case

This case on “Decision making at ‘Vibrant’ paints - Is it rational?” focuses on how ‘**Vibrant paints**, a reputed paint manufacturing multinational company established in 2005 in Rajasthan, India takes a decision which hampers the reputation of the company. The case deliberates on an incident which was based on the decision taken by a fresher in the company named Akhil, regarding paying transit insurance in his company. Akhil was very enthusiastic to get himself and his centre (Vizag) recognised and grab the annual performance award for the current financial year. Keeping this intention in mind he wanted to save money for the company and hence decided to take a decision against payment of insurance for the transit goods which amounted to Rs 80,000 per month for eighty lakhs worth transit goods. The decision taken was also accepted by the branch head and the top management. This case study allows the readers to understand the loopholes in the management system, and understand the leadership style of the CEO of the company. The case triggers the students/readers to understand the importance of decision making and its impact on the business in the short and long run.

Prerequisites learning

The students should have the knowledge of functions of management before being involved in the discussion of the present case.

2. The target learning group

This case is positioned in the curriculum to be taught to BBA II year and MBA I year management and commerce courses.

3. The learning/teaching objectives and key issues

1. To discuss and analyse the decision taken and repercussions the company faced because of the decision.
2. To find ethical ways to handle any decision in business.
3. To make students understand the concept and importance of decision making.
4. To make students understand the types of decision making according to the circumstances.
5. To make students understand the impact of wrong decisions on the reputation of the company.

4. The teaching strategy

Students are divided into groups of 6 to 7 members in each group. The case is given in advance to the students to go through. Students are given ten minutes to have discussion with their team members before the discussion of the case starts.

The following questions are asked to students to trigger the discussion:

- What are the main issues of the case?
- Why do you think the reputation of the company was affected?
- Do you think the decision taken by the company was right? If you were in the protagonist position, what decision would you take and why?
- What is ethical decision making? Do you think the company practices were ethical?
- What should the company do in order to improve the reputation of the company?
- What are the innovative practices you would suggest to the company for sustainability?

The BOARD PLAN is presented below

i. Facts

The facts related to protagonist, company and leadership style need to be presented on the board after discussion with the students

ii. Issues/problems

- a. Loss of reputation
- b. Poor decision making system
- c. Unethical decision making

iii. Assumptions

- a. No experienced accountant other than protagonist
- b. Receipt of Insurance claim from a company other than Indian Insurance Company

iv. Alternative solutions

- a. An ethical decision making system to be practised
- b. Every business has risk, decisions should take all risk factors into consideration
- c. Decisions taken by the lower level management should be vetted properly by the middle level management before it is implemented.

v. The best solution

Due diligence and a close examination of a firm's past financial records, growth potential and reputation gained need to be considered before taking a decision.

Management should consider the fresher's suggestions but should not blindly follow it. Management should always be prepared with plan B for uncertainties.

The crisis decision making can be used here to regain the trust of customers and profits within a short period of time.

vi. Action plan for implementation

Creation of a proper decision making system to vet the decision before implementation.

vii. Takeaways

- 1. Decision making is an important part of business strategy and reputation building
- 2. Proper forecasting and planning to be done before taking a decision
- 3. All factors of risk should be validated before arriving at a decision.

5. Timings for the classroom session

Discussion plan for class teaching (assumes one session)

Details	Time
Introduction and overview of the company	5 mins
Discussion on the traits of protagonist & his role	5 mins
Discussion the decision making process in the company and the steps to be taken to make effective decision making	15 mins
Discussion on importance of reputation and the strategy to win back the customers	15 mins
Discussion on ethical timely decision making and its impact on organisation growth	10 mins
Wrapping up	5 mins

6. Questions for discussion

- Do you think the decision to withdraw the insurance was right? Justify your answer with proper explanation.
- According to you, who is responsible for the losses incurred in the above case, Akhil the accounts manager or the management who did not think much before taking the decision?
- If you were the management, what steps would you take to win back the trust of customers within a short period of time?

7. Background reading

- Joseph Bikart, *The Art of Decision Making: How we Move from Indecision to Smart Choices*, Watkins Media.
- A R Aryasari, *Management Science*, Tata McGraw Hill
- Dipak Kumar Bhattacharyya, *Principles of Management- text and cases*, Pearson.
- John S. Hammond, Ralph L. Keeney, & Howard Raiffa, *Smart Choices*, HBR
- <https://www.paint.org/coatingstech-magazine/articles/an-update-on-sustainability-in-the-coatings-industry/>
- <https://www.aranca.com/knowledge-library/articles/business-research/sustainability-in-procurement-paints-and-coating-industry>

8. Experience of using the case

When the case was discussed in the class of MBA I year the students were able to understand the importance of decision making and its impact on the reputation of the company.

Students mentioned that though the employees were empowered to make the decisions but the organisation should follow a standardised procedure wherein the top management should vet the decision before finalising it.

Students came out with various alternative solutions to improve the reputation of the company like

1. Decision making should not be based on occurrence of the event, but should be based on consequences the company will face if the event occurs and suggested the company should have standardised procedure of decision making
2. To take exit interview before the protagonist left the company
3. Akhil should have been transferred to another branch for giving the wrong suggestion