

Pandemic and Organizational Restructuring: Turnaround Story of Mouthful Foods

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Abstract

This case study illustrates the journey of Mouthful Foods, a traditional family-managed Indian organization. For several decades, Mouthful Foods, had doing contract manufacturing of food products for two leading MNCs in India. It engaged in processing of food products by sourcing ingredients and manpower locally. The organization experienced major change in its business due to the pandemic induced lockdown and was trying to develop suitable organization structure for achieving a fit with their new business model. This company could not only sustain in the pandemic could also reposition itself in the market with an independent identity. From the status of an outsourced business partner of MNCs, the company could establish their visibility by selling products under their own brand name *Jeevan*. This case study intends to address challenges in framing organizational structure when a traditional family-managed Indian organization begins to corporatize, bringing characteristic changes in their business model.

Key words: *spider-web entrepreneurial structure, food processing, agile structure*

Introduction:

Mouthful Foods, a company with about INR 50 crores turnover, was located in Patiala. Its main products were peanut butter, *kasundi*, and mixed fruit jam. These were sold in the market under brand names of the MNC's that it contract-manufactured for. The recipes and formulations were unique, as these were produced from farm-fresh ingredients with utmost care and quality control. The company's quality control system was traditional, and this was performed by trusted family members. The company believed the quality of their product was their main value or USP. The company also ensured 100% hygienic production with manual control.

Mouthful Foods's operations had been smooth with uninterrupted flow of production. The company felt their first major challenge with the announcement of the nationwide lockdown on 24th March 2020, bringing a complete halt to the logistics and supply chain. Almost a month's production remained in the pipeline, which the company failed to pack for absence of packaging materials that

had not yet arrived from the MNCs for whom they were the contract manufacturer. The freshly sourced ingredients, that it prided itself on, with limited shelf life started rotting, compelling the company to dispose the decomposed pulps.

Jaspreet, who oversaw the family business, had to close the plant and kept only five people for regular maintenance and security work. Having never experienced this before in its history, Jaspreet was struggling to sustain the business. He was a science graduate from Punjabi University; his management lessons came from watching his elders in the family managing the business. Sincerity, honesty, and hard work were the only mantras he learned from his predecessors. However, the new route map for the company's sustainability needed to be more strategic with a long-term focus. Jaspreet now had to rethink the company's strategy and redraw a survival route map.

Company Background:

Mouthful Foods was a 100-year-old family business engaged in food processing. When Jaspreet took over the reins of the family business, he corporatized his century-old family business and opted for a simple entrepreneurial form of organization, emulating the spider-web model (Exhibit-1). In this model the entrepreneur is in direct communication and commands all functionaries with no intermediaries in between. In the family business, Jaspreet played a strategic role, and was also handled the finance, operation, sourcing, and recruiting. The sales and marketing function hardly require his intervention, as Mouthful Foods supplied in bulk to two multinational companies (MNCs), who sold the product under their brand name. Being in operation for 100-years, Mouthful Foods's had ironed out most issues in operations and marketing. For its products, it needed agricultural raw materials such as peanuts, mustard seeds, fruits etc. As the business was in Patiala, in the state of Punjab, which was the country's agricultural heartland, sourcing of raw materials was not a problem. Mouthful Foods's plant was traditional and semi-mechanized. The semi-automatic mixers and grinders could be run by any workman with basic skills. Most of the skill sets required were basic such as handling the mixer and grinders and sealing machines and across skills workers could be used interchangeably.

Jaspreet himself handled the initial training and coaching for new recruits, and directly supervised their jobs for an initial period of three months. After three months, the new recruits autonomously did their jobs. On-the-job training through mentoring and coaching not only made these work groups effective in their performance, but also gradually fostered loyalty towards the

company. Employees felt more engaged and continued to be loyal to the company. Most workmen were from nearby areas. The technical and managerial talent were also recruited from local institutions and the universities (such as Punjabi University, Patiala).

Even after 100 years of operation, Mouthful Foods's operational scale remained unchanged with an employee headcount of less than 50. Most of the employees were in the shop floor. There were ten technical and managerial support employees, who worked in Finance, Operations, Supply chain, and HR functions. These were professionals and gradually also acquired skills and knowledge through training in local institutions. With such minimal resources, the company had a turnover of about INR 50 crores. After allowing for all expenses, the company earned a profit of about INR 10 crores. In Table-1 Mouthful Foods income and expenditure account for the month ending February 2020 is presented.

Surviving the New Normal:

In the middle of the pandemic, when the company had to experience sudden shutdown and snapping off ties with MNCs, for whom they were the vendors, Jaspreet toyed with the idea of selling the products under its own brand. The challenge was that the company had no visibility in the market, as they had never gone in for their own branding. Locally, within the vicinity of *Dukhiram Gurudwara* (Patiala), some people knew about Jaspreet's family's generational legacy- but that was all. Due to the lockdown and with restricted movement, Jaspreet searched for options to reach local people with his products.

At the outset, he selected a brand name- *Jeevan*. With a few of his trusted group of employees, he started displaying *Jeevan* Peanut butter, *Jeevan* Kasundi, and *Jeevan* Mixed Fruit Jam, near several religious shrines present around the area. He even introduced some free sampling both from his campaign kiosks and through door-to-door visits. Jaspreet had heard the story of one MNC in India (which incidentally sourced his products and sold under their own brand name), which emphasized on visibility; showcasing their products in retail outlets in first row. The MNC's experience taught him that increased visibility was the trump card for future profitability. This MNC literally struggled to ensure competitors' products did not get visibility in retail outlets. Ultimately, they had a roaring success. Encouraged by this, Jaspreet decided to make the best use of lockdown, to make his products visible within the vicinity of Patiala, Punjab.

With a prolonged lockdown, Mouthful Foods gradually stuck to limited sales in local markets, mostly through home delivery. Jaspreet's family farms which were taken care of by migrant workers had also stopped functioning because the workers went home because of the lockdown. His factory workers being local, were deployed in his farms, and in the farms of neighbours. Such arrangement could at least give reprieve not only to his family, but also to the families of the workmen.

September 2020 onwards, Jaspreet started getting calls from his MNC clients to resume his production and supply. In fact, their orders for supply this time had increased two-fold as during the lockdown, customers had gradually switched to locally sourced organic food. Another reason for such natural choice of customers during lockdown was the constraint in getting their regular preferences due to the closure of market. Jaspreet however decided not to continue outsourcing for his past MNC clients.

The experience during lockdown had gradually shaped Jaspreet's mind to focus on developing the brand's own identity, i.e., the identity of *Jeevan* range of food products. The lockdown period worked to the advantage of Mouthful Foods as they could successfully position *Jeevan* range of food products in the market. During Diwali, Mouthful Foods went for a mega launch of *Jeevan* brand in Punjab and Haryana districts, and in some parts of Delhi. All supermarkets in these areas started stockpiling the *Jeevan* range of products, and gradually the company started experiencing expansion of their operations.

Historically being a traditional family business, Mouthful Foods had maintained a small profile, both restricting their business volume and growth. Not surprisingly, therefore the simple spider-web entrepreneurial structure had so far helped Jaspreet successfully manage his business. Another reason for successful self-management was their nature of business, i.e., status of an outsourced vendor. However, now as the business orientation had changed and independent marketing and selling had to be done, Jaspreet realized that he needed to go for major restructuring of his business.

New Business Orientation and Need for New Organizational Structure:

With increased market demand, Jaspreet planned on doubling his business volume, i.e., from existing turnover of INR 50 crores to INR 100 crores. Some of his immediate priority areas were; more manpower, new technology for automated mixing, blending, and grinding, new packaging for long shelf life, and professional advertising and marketing. However, at the outset he decided to

draw his new organization structure, as his prevailing simple spider-web entrepreneurial structure would not work. In the meantime, he had also introduced product-team entrepreneurial structure (Exhibit-2), putting him in the role of orchestration to navigate his organization.

Jaspreet could understand that if his workmen were disengaged, they could not deliver their best. He wanted his team to create new market, new value proposition rather than competing with big companies, which had already established their brand image and now dominated the market. With a portfolio of three product types, he wanted to achieve market dominance with incremental approach, rather than going for disruptive innovation. Jaspreet realized that by embracing an agile organization structure, his company could innovate and drive transformative change, without losing focus on existing customer needs. He could understand, organizational agility could synchronize both internal and external changes, cutting across organizational hierarchies. Agility could also make his organization adaptive, responding quickly to any situational uncertainties. He first embraced a product team structure (Exhibit-3), but he soon realised that the siloed mindset did not create the culture of collaboration for his workmen. His all-out efforts for cross-functional teamwork, did not yield any major change in the mindset of his workmen, and they continued to remain siloed.

For more agility, he created an agile team structure (Exhibit-4). With his finally designed agile team structure, he felt he could appropriately capture the voice of his customers.

Jaspreet, as part of adding new value proposition, closely documented emotional touch points of customers through his sales and marketing team, and encapsulated those in his product innovation, to stay competitive in the market. Ultimately Jaspreet could make his organization a network of teams (Exhibit-5).

By regular environment scanning and systematic review, he was able to be ahead of many small players in the market. Mouthful Foods became a chosen brand for households in Punjab, Haryana, and parts of Delhi (mainly Kalkaji and CR Park areas). With this, Mouthful Foods today emerged as an independent company, rather than continuing as outsourced partner of MNCs.

Challenges in the Post Lockdown Scenario:

Mouthful Foods's success in the new normal also made it more visible and open to competition from other market players. The two MNCs, for whom the company was earlier the contracted manufacturer, renewed their presence in the market. These MNCs had identified new vendors for contract manufacturing and started their operations. Also, some unknown and less visible players had started their foray in the market. Unperturbed with such disruption, Jaspreet

decided to be resilient. To successfully respond to changing conditions, he started initiating more transformative actions, developing his capabilities for anticipation, and taking immediate remedial actions. During September and October 2020, he spent maximum time in marketplaces, interacting with customers, understanding their needs and expectations, and then initiating changes in operation. He could improve his supply chain and not only to spread his market reach in other states, but also could gradually target global markets. The large community of expatriated Indians and especially from Punjab helped in his global expansion plans.

In Table-2, the income and expenditure account of Mouthful Foods from November 2020 is presented. This table illustrates how within such a short time frame, the company could not only position itself in the market with an independent brand identity, but could substantially add to sales revenues and profitability.

For the year ahead, Jaspreet is busy in mapping his strategy, calibrating his structure. He aspires to develop a structure that can make effective use of collective intelligence, reap multiple advantages, increase commitment to stakeholders, accommodate both short and long-term goals, pursue innovation, and ensure ethical decision making. He wonders what kind of a structure would help him meet these goals.

Exhibits

Exhibit 1: Spider-web Entrepreneurial Structure

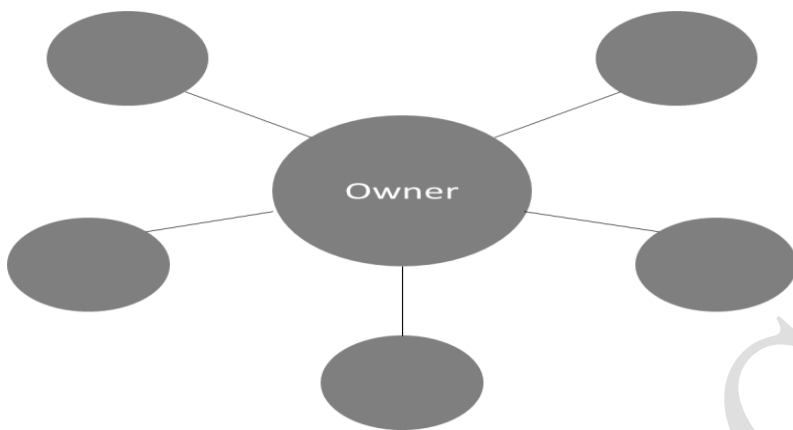


Exhibit-2: Product Team Entrepreneurial Structure

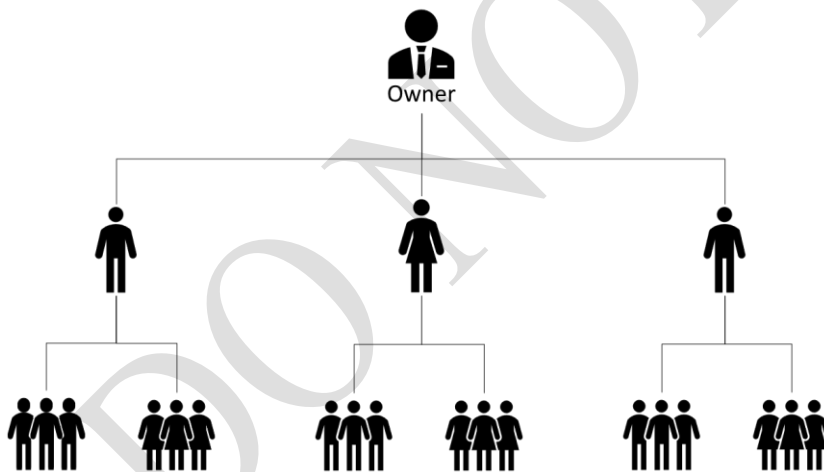


Exhibit-3: Cross-functional Product-team Structure

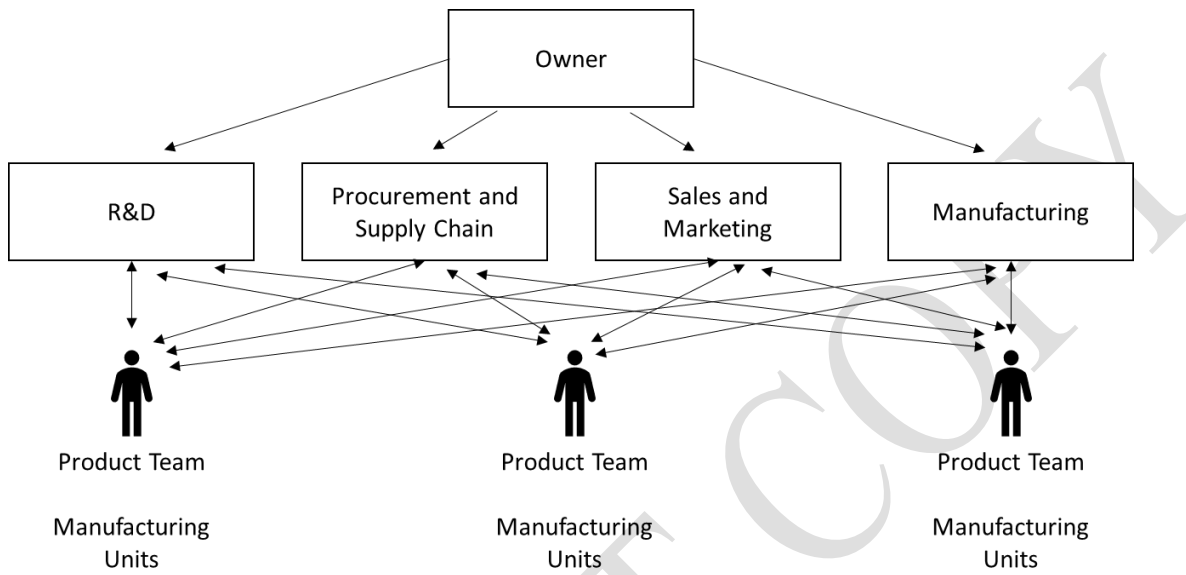


Exhibit-4: Agile Team Structure

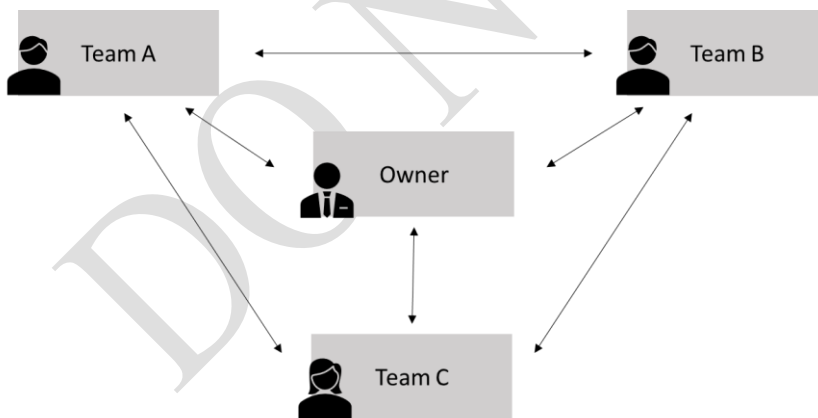
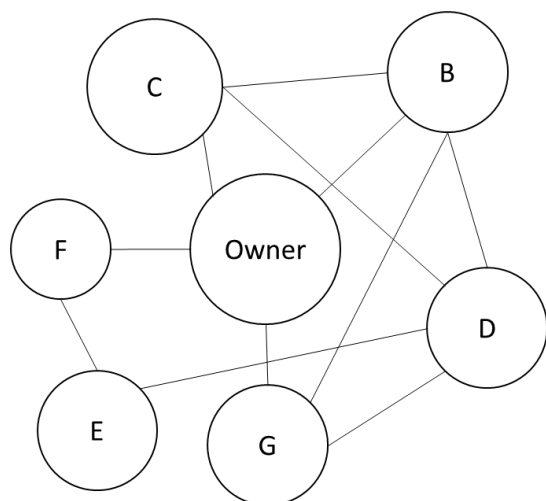


Exhibit-5: Team Network Structure**Table- 1: Income and Expenditure Account of Mouthful Foods for the month ending February 2020**

Expenditures	Amount (in crore)	Incomes	Amount (in crore)
Wages and salaries	0.1	Gross Sales	4.5
Depreciation	0.05	Surplus	0.55
Raw materials	2.05		
Electricity	0.1		
Statutory labour welfare fund contribution (including PF, contribution to gratuity fund, ESI)	0.1		
Depreciation	0.05		
Transportation	1.5		

Table- 2: Income and Expenditure Account of Mouthful Foods for the month ending November 2020

Expenditures	Amount (in crore)	Incomes	Amount (in crore)
Wages and salaries	0.2	Gross Sales	6.35
Depreciation	0.08	Surplus	0.77
Raw materials	2.85		
Electricity	0.2		
Statutory labour welfare fund contribution (including PF, contribution to gratuity fund, ESI)	0.3		
Depreciation	0.05		
Transportation	1.9		