

A Fresh Start for Head Start- A Case Study

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ABSTRACT

Decision making is always a crucial aspect for any business organization. Irrespective of level of operations one has to probe deep into all the obstacles that may come into the way and probable outcome of the final way opted for. However the business size affects the decision making process. Decision making is an imperative and eternal part of any business, be it innovating/inventing a product, expanding/narrowing the scope of business, entering into new segment/product, mobilization and deployment of funds, manpower requirement, finalizing the location, analyzing the right market, and what not. Previous experience is a major determinant that plays an important role for making a final choice. This case is about Harsh who after having worked hard for more than 31 years in the field of sesame seeds and oil business is now going through difficult times. He is looking to start with some new business. With the available resources and rich blend of experience he is planning to start a small or mid-sized business in his small city Bali. The case is qualitative and primary in nature and has developed by interviewing Harsh personally. Additional information has been gathered by visiting Bali in person in order to know about the population mix, life style and the business circumstances of the city.

Key Words: Entrepreneurship, Decision Making, Risk Taking, Product Identification

I TEACHING OBJECTIVES

The case deals with decision making problem. This case falls under category of open ended case styles. The case highlights the dilemma of Mr. Harsh who after running successfully his oil business for more than 31 years is right now stopped at the point to think about something new. He tried his level best to remain in his area of knowledge and expertise and to an extent was able to manage. But over a period of time, series of hurdles came into his way.

After discussing the case students will understand the concepts of:-

- (a) Entrepreneurship
- (b) Decision Making
- (c) Change management

II PEDAGOGICAL OBJECTIVES

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III TEACHING APPROACH AND STRATEGY

- (a) This case is helpful for the under graduate and post graduate management students and can be used in subject of general management.
- (b) Group assignment can be given to the students and asked to do the analysis from their point of view.
- (c) For better understanding, group of students can interview shopkeepers or the small business owners and pose them various questions about requirements of such business, type of customers visits the market, pros and cons of small and mid-sized business.
- (d) Students should make a small project report or jot down the points and make a presentation on their learning and experiences post visits in such markets.

IV ANALYSIS

This case is very much suitable for situation analysis and field assignment where students get exposure about the prevailing market scenario. Also they will learn the different situations a businessman confront while making decision to begin with new business.

V THE CASE

On a hot day of June 2011 Harsh sitting in his office, was going through the commodity prices section in the financial dailies. He was shocked by the spurt in the sesame seeds prices. Since long, the price rise had adversely affected the oil business.

The further fueling up of prices will be adding on more challenges. This has forced him to think about some new business to start with. At the age of 50, he was struggling for the survival of his existing business. The situation came in front of him at this juncture of age about which he had never thought off. The foundation stone of sesame oil business was laid by his father and later on overtook by him. After working hard for 31 years the business grew in leaps and bounds was passing through a bumpy ride. Now it was question of earning livelihood for his family.

Bali a small town in Rajasthan had a good crop of sesame seeds in nearby villages and surrounding areas. Because of abundance of sesame seed people were using sesame oil for cooking and the demand of same was very high. Looking at this, In 1961 Harsh's father started the small oil mill on the ground floor of his house. He used to purchase raw material (sesame seeds) and after processing (crushing), was selling the finished produce (sesame oil) to the customers (semi wholesalers and retailers) in Bali. The byproduct of this process, oilcakes, was also sold in market as cattle feed. He was also making best out of waste.

In 1980, at the age of 19, Harsh entered into the business to help his father as well as to learn the trade. The business was growing as the demand was high. Looking at the infrastructure and the available machines Harsh and his father thought of substituting their income by using the available resources in alternative processes. They started using their machines for mustard oil extraction as well, which also had good market then.

In 1988, Harsh father expired, later on in 1990; Shyam his younger brother at the age of 23 teamed him in order to support him in the business.

Over a period of time businesses flourished and they were happy and satisfied with the business. But there were challenges waiting for them in future. Sesame seed prices were rising continuously because of its medicinal and other alternative uses and as a result the oil prices were also rising. Rising prices of sesame oil and easy availability of various other cooking oils like cotton seed oil, soybean oil and palm oil, triggered a shift in customers taste and preference towards refined cooking oils. To compete with the rivals and to retain the customers Harsh was doing all possible efforts even charging lower prices.

New millennium unfolded new challenges for the business. This era witnessed the customer shift and as a result major share of the market was captured by refined oils. This was because of high prices of non refined oils and also the propaganda of benefits of refined oils over non refined oil like cholesterol etc.

In 2001, the price rose further due to increased exports as a result of measures taken by the government to promote exports by giving subsidies in duties and charges and deregulation of exports. Sesame Seeds were now being used for many alternative uses like an ingredient in preparation of bakery products and sweets and for medicinal purpose etc. The outcome of all these was an upward swing in prices, making the survival of a small business of Harish very difficult.

Looking at the changing market scenario, Harsh started looking for alternatives for substituting income. In 2002, he ventured into trading of sesame seeds as the farming was done in the nearby villages of Bali only.

In mid of 2009, he started cleaning maize which was again a cattle feed supplements. Both businesses could substantiate his income. Being absence of entry barrier in the business more players joined the league and sold cattle feed at lesser price, brought cost down by mixing other material into it. Looking at the intensified price war at the ending of 2010, harsh decided to withdraw from cattle feed business. Meanwhile the commodity market was strengthening and making the existence of small traders difficult. Moreover it was a seasonal trade which could not generate constant cash flow.

At present Harish along with his younger brother Shyam is currently handling the business. Shyam is looking after the production and packing department and Harsh is handling sales and collection area. The credit period is 7 days. One worker with a salary of Rs.3, 000 is looking after the set up. A daily wagger female is hired as per the need for putting the seeds in cleaning machine and there after transferring into crushing machine. An amount of Rs. 10 per sack is paid to worker and within 2 hours 7 sacks can be easily cleaned. In trading business the transportation cost comes to 60 per sack and in a truck 125 such sacks can be loaded. The working capital required in business is Rs. 4-5 lac. Valuation of his existing oil crushing machinery is Rs.55, 000/-, sesame seeds cleaning machine is Rs. 10,000/-The income from business is Rs. 35,000-40,000 pm.

Having experience in food and agro products business, Harsh is looking out for some new avenues for the new beginning in the area of his forte. Harsh is not willing to invest a large amount in the new business but only the sale proceeds from existing business, if any and a small loan up to 5 lacs only if required. He is very sure about few aspects of his new business. One, he will indulge in business which has minimal government intervention, i.e. license requirement, Inspections and taxes etc. Two, business should be of same level of operation, funds and land requirement etc.

Three, business should be of same genre i.e. food or related business.

Harsh knows that he has to search some other avenue but not able to make up his mind on what will be the avenue!!!

(a) EXHIBIT – I Various opportunities explored by Harsh:

- (i) To start a *cleaning plant of wheat and other food grains and pulses*, for which machine cost was Rs. 10 lakh, construction cost was around 10 lakh and for it, land was required which was available in Industrial area and it was costing 30-40 lakh.
- (ii) Another option was to start a *readymade garment shop for kids*, for which investment was around 8.48 lakh, 5 lakh was for furniture and 3 lakh for stock, shop on rental basis would cost around Rs. 48,000 for a year. If shop is bought on own it would cost around 40 lakh. But not related with his area of expertise.
- (iii) Third one is purified water business. Total capital outlay would be around 5 lakh, machinery would cost 2.5 lakhs, other equipment i.e. tanks for storing water, water coolers and jars and other fittings and repairs. For distribution he would hire a passenger rickshaw which costs Rs. 50 per shift.

(b) EXHIBIT –II - About Bali

- (i) Bali is a small city and a district in a Rajasthan and covers 6 talukas. The total population of district and city is around 3.5 and 1 lac.
- (ii) The shop on rental basis is easily available in the market area of city for Rs. 3000-4000 depending upon the location. With an initial capital outlay of rs. 3-4 lacs a small venture can be set up. However buying a shop on own will costs around 30-40 lacs.
- (iii) The city is mainly consists of 10% of high, 60% of middle and 30% lower class locality. The population includes 50% of service class and 50% of business class people. Out of 50% of business community only 10% is in big business which includes printing and dying mills. The city is primarily known for its textile units.