
CONFLICT MANAGEMENT AT TKC CONSULTING

V. Padhmanabhan wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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TKC Consulting was a pioneer in the business of financial brokerage, including share trading and commodities. It also managed dematerialization of shareholders' accounts and distribution business divisions such as insurance, mutual funds, fixed deposits, initial public offerings, etc. The company had been in this business for more than twenty-five years, and ran its operations in India through branches in different cities. However, over time, many employees had left to become entrepreneurs on their own and competed with their former organization. In Tamil Nadu, Southern India, the company operated through 50 branches. The operations in the Tamil Nadu region were managed by Rao, the regional head.

Rao and another senior executive, Naik, were involved in a conflict that looked like it was going to require intervention from the company chairman.

BACKGROUND

The Company's Style of Operation

At the top of the organizational structure (see Exhibit 1) was the chairman, Mukharjee. Naik, the country head of the distribution business, and Sam, the country head of the stock-broking business, reported to him. The country head of the distribution business led the country heads of insurance and mutual fund products, who in turn led their respective regional product heads. Each regional product head was allotted a region with a regional headquarters from where they operated their business.

Executives with rich experience and expertise in the product along with a customer base were designated as regional heads. They managed the regional headquarters and were responsible for administering the operations. They acted in an advisory position for regional product heads in their respective regions. Regional product heads achieved business through their various branch heads in their respective regions. Regional product heads reported simultaneously to both country heads of their respective products as well as their regional heads.

Aman

Aman, a 35-year-old management graduate, started his career in the company as a marketing executive in 2004. Because of his commitment and consistent achievement of targets, he was promoted within three years to the level of regional product head of the life and non-life insurances division for the region of Tamil Nadu. He operated from a separate office premises with operation executives assisting him to manage his portfolio smoothly. He reported to regional head Rao and also to the country head of the insurance division.

Rao

Rao, a 52-year-old veteran, who had joined the company as a vice-president, was designated the regional head for the Tamil Nadu region. He had been in the company for more than 15 years, and had persevered to establish the company in his region. He expanded the company's operation by opening branches at various cities in his region and built a vast and strong customer network. He acquired strong expertise in the stock-broking business and gained confidence among investors for his strategic fund management skills, showing excellent growth in the business. He followed a conservative style of management towards employees and his operations were cost-effective. He had an authoritarian approach within his region but was never questioned by the top management as he had always proved himself through results.

Naik

Naik joined as an operation executive during the inception of the company and went on to become the head of the Karnataka region. He was also one of the vice-presidents of the company. He developed a strong customer base in his region and had good rapport with customers who made major investments. During periods of low business, he used his customer contacts to do cross selling. His rapport was so strong that he could sell his products over the phone without stepping out of his office. In terms of performance, Naik always drove his region to achieve excellent growth in the distribution business and to rank as one of the top regions in the country.

Relationship between Rao and Naik

At one point, Rao and Naik had a misunderstanding over an employee's transfer request. The issue arose after Naik failed to respond to Rao's request for approving the transfer of a female executive from his Tamil Nadu region who had planned to settle down in the Karnataka region after her marriage. Rao felt insulted over this incident.

In terms of career growth in TKC Consulting, both Rao and Naik had an equal chance of promotion to the position of country head of the company. However, when a vacancy for country head of the distribution business arose, luck favored Naik due to his experience in this business. Rao was quite disappointed by this and cast aspersions to his close circle of friends on Naik's ability to manage the responsibilities of country head.

NAIK'S BRANCH VISITS

Naik, after his succession to the position, made regular visits to different regions all over India. He felt the need to revamp the conservative style of managing the operations, and he revitalized the system. Naik made a series of visits to Rao's region and every time he visited the region, Rao deputed Aman for various branch visits in Tamil Nadu. As a protocol, whenever Naik planned a visit, he would send an email message to Rao about his plan with a copy to Aman. Naik was impressed by Aman's knowledge about the region and his commitment to the business. Over a period of time, Naik emailed his visit schedule to Aman directly without a copy to Rao, and Aman shared Naik's schedule with Rao by forwarding the email. On one occasion, Rao invited Naik for lunch at his house after he returned from branch visits. Due to an urgent meeting with agents at a local branch, Naik sent a message through his mobile phone to Aman that he could not make it for lunch as he was in the branch meetings. Aman promptly forwarded the message to Rao.

THE START OF CRISIS

Within a week, Aman received an instruction in his email about a temporary assignment of managing at a different branch a newly launched product which did not belong to his insurance division. The transfer order was from his regional head, Rao. Aman was unable to understand the reason for such a transfer, as the area did not require his presence. Later, Aman perceived that he had been transferred to prevent him from joining the branch visits with Naik. He was deputed for almost two months to manage the new product and in the meantime, there was a slump in the insurance business (his original product division) due to diversion of focus to the new product launch. Although there was a lag in business, Aman was confident of a revival since two more quarters remained to show the overall business for the division. He was also aware that it was common to have the first two quarters show a slump in the overall insurance industry, and that the real business began in the third and fourth quarters of the financial year.

After some time, another blow came through yet another email. Aman was relieved of the life insurance portfolio that he had been taking care of since he had joined, and was instructed to manage the non-life insurance portfolio alone. The reason cited was poor performance in the first two quarters. Aman saw the email copied to not just the country product head of insurance and country head of distribution, but also to the chairman. Aman struggled to understand this decision by Rao, his regional head. He also felt that there was no need to send an email to the chairman about his underperformance based on the appraisal of the first two quarters. He felt that the evaluation of his performance was biased, as the insurance business peaked only in the last two quarters of the financial year. The country head of distribution conveyed to Aman his inability to intervene as the issue had been addressed directly to the chairman.

Later, Aman was also instructed to leave his new office premises and return to the premises where Rao was located. He felt that his every movement was closely watched and that he was selectively targeted. Aman found himself reeling in a crisis which was not related to his performance, but was instead related to his relationship with his superiors. The crisis tormented him day after day and cost him his happiness. He contemplated quitting, but the whole economy was in a recession with job cuts and lay-offs everywhere, and searching for a new job was difficult. He found himself alienated and at a loss to handle the situation anymore. The crisis took a toll on his performance and cost him his peace of mind at home.

CHAIRMAN'S DILEMMA

The chairman knew that Rao could understandably be upset as he had shown undoubted sincerity and commitment to the organization's growth right from the early years. The chairman also understood that he could not let these veteran heads clash, lest it dent the younger generation's morale. This would hamper the organization's future, besides forcing talented employees to move out. Whenever employees quit, they took customers with them. The chairman felt an intervention was needed to revitalize the situation.

Exhibit 1
ORGANIZATIONAL STRUCTURE

