

## MANAGEMENT CASE

describes a real-life situation faced, a decision or action taken by an individual manager or by an organization at the strategic, functional or operational level

# *Surviving the Recession: Venus Jewel -A Case Study from the Indian Diamond Industry*

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The Indian diamond industry witnessed a severe recession in the year 2008. The industry is already showing signs of recovery in 2009 led by its large-sized firms. This case presents facts from a study conducted in a large-sized Indian diamond processing firm which has existed for the last 40 years and led the revival of the industry. It includes description of the company policies, management practices, innovations, the organization structure, and other unique systems. It also describes the exemplary business acumen and leadership qualities of the founder of the unit of our case. Besides, this is the first such study conducted in the Indian diamond industry which has otherwise remained undocumented in spite of an extraordinary global performance.

### THE RECESSION

In November 2008, the workers of Indian diamond industry had a tryst with destiny. An estimated one million workers returned after a customary five-week Diwali vacation, just to find that owners of the diamond processing units would not open gates for them. Thousands of such units in Gujarat, India, which cut and polished diamonds mainly for export, had shut down. The decades old, and now US \$14.2 billion Indian diamond industry, witnessed the severest recession in its history (Source: GJEPC). However, one unit allowed all of its over 1,500 employees to resume work.

The 61 year old Sevantibhai Shah, the founder of 'Venus Jewel' fondly addressed by his employees as 'Kaka' (a respectful Gujarati word for uncle), was engrossed in his usual work in his office in Surat, in the afternoon of November 18, 2008, when a group of employees approached him ....

*"Kaka, we have read in the newspapers this morning that all the other diamond units have decided not to reopen after Diwali due to severe recession. Will it not affect our company if we, probably the only ones in the entire industry, work? If required, please close the factory. We will understand."*

*"It is not required,"* was Kaka's brief reply. The next day, i.e., November 19, the emotional employees came back to Kaka in big numbers and said, *"We want to tell you something, but promise that you will agree with it. "I can't promise anything without knowing your demand,"* said Kaka.

Having failed to get an assurance in advance, they said, *"Kindly reduce our salaries, except for those whose salaries are in four digits."* *"It is not required,"* Kaka said. Several employees had tears in their eyes. *"I appreciate your feelings for the company and the bond that has developed between us. There is no need for the company to shut down or to reduce salaries, but if you want to do something for the company, I have a suggestion."* The employees were intrigued, *"What is it, please tell us."* Kaka replied ... *"Ensure that no damage is done to any stone (the diamond rough), and cooperate with the management by giving your best."*

This is a story which will keep doing rounds in this city of diamonds, perhaps for decades.

*"Around 6 lakh people lost their jobs from October 2008, following the impact of recession and most of them were from Surat's diamond and jewellery industry. About 500,000 people lost their jobs in the October-December 2008 period, while over 100,000 were shed in January this year."* The Economic Survey presented in the Indian Parliament on July 3, 2009, reported.

Reports suggest that many diamond workers who were immigrants from Saurashtra, Bihar, and Uttar Pradesh, and whose families were totally dependent on their jobs in Surat, were left stranded during the crisis; some tried to commit suicide, others who struggled for a few months, either switched over to other businesses or withdrew their children from local schools and packed their bags for their native places. *"Diamond had become as good as stone,"* remembers a middle-aged artisan. Six months later, the industry has somewhat recovered from its lows with around a quarter million jobs added after January, following signs of global recovery. But it has been difficult for several units whose workers did not return. Venus Jewel not only retained its staff, but also invested more in rough diamonds.

*"Our turnover has come down from \$335 million in 2007-08 to \$217 million in 2008-09, but we have survived. We suffered heavy losses but the efficiency has increased, and we are happy to have earned the enhanced loyalty and trust of our people,"* said Kaka.

## GLOBAL POSITIONING AND THE INDIAN DIAMOND INDUSTRY

Of the world's total export of cut and polished diamonds, the Indian diamond cutting and polishing industry accounts for 95 per cent share in terms of pieces, 80 per cent share in terms of caratage, and 57 per cent in terms of value; 11 out of every 12 diamonds set in jewellery worldwide are cut and polished in India, 90 per cent of the work being done in Surat (Source : GJEPC). Gem and jewellery industry is one of the most dynamic and fast growing sectors of the Indian economy and a major contributor to the country's export-led growth. The Gems and Jewellery Export Promotion Council (GJEPC) is the apex governing body of this dynamic industry, and was set up by the Ministry of Commerce and Industry, Government of India, in 1966.

The industry has registered a remarkable growth over the last four decades, with exports having grown from US \$29.35 million in 1966-67 to US \$21.11 billion in 2008-09 accounting for 19.1 per cent of the total Indian exports. Export of cut and polished diamonds (CPD) accounts for 67 per cent of the export basket of Indian Gems and Jewellery and is therefore a leading foreign exchange earner for India. No diamond mines exist in India today, and hence the rough stone (raw material) has to be entirely procured as imports. The rough diamond is mined in South Africa, Botswana, Canada, Russia, and Australia; traded mainly in Antwerp, Belgium, and processed (cut and polished) in India, Israel, and now also in China; thereafter, the polished diamond is exported across the world, USA being the major consumer.

### How does the Indian Diamond Industry Operate?

The industry resembles a close-knit community that thrives in the atmosphere of secrecy and informality that envelops the diamond trade. A majority of India's skilled diamond workforce is employed by small family-owned firms or units that process diamonds on a job-lot basis. In the '80s and '90s, the diamond industry was in the eye of the storm for the poor working conditions of the hundreds of one- and two-room units mushrooming in Surat and nearby places. Even today, there exists a huge network of traders, manu-

factors, artisans, and brokers engaging more than five million people who have little or no education. It is difficult to predict the actual number of diamond manufacturing units or the number of people employed, as the processing is done in large, medium, and small units, which are spread across the state, reaching many villages and even homes for which there are no records.

The trading across various levels between importers, exporters, and manufacturers is carried out through thousands of brokers on open streets in markets called 'Heera Bazaar' for which there is no way of tracking. The transportation of diamond packets, both rough and polished, is done through *Angadias*, members of *Unja Patels*, a local community who have specialized in carrying diamonds safely within the industry and achieved trustworthiness of the highest order. There are often no written contracts; many transactions occur in cash; and stones worth millions of dollars are transported with virtually no security. The entire industry seems to be working on trust. No small feat, then, that the local entrepreneurs captured a lion's share of the global diamond exports.

However, the global recession of 2008, meltdown of the US economy, and devaluation of the US dollar did not spare these diamond cutters whose lives were dependent on exports. But, Venus was different—it grew at an astonishing rate of 47 per cent in fiscal 2007-08 which was witnessed the world over as a year of economic slowdown.

## THE COMPANY

Venus Jewel was established in 1969 by Mr. Sevantibhai P Shah, and his brother, Mr. Ramnikbhai P Shah. It employs more than 1,500 persons. The turnover of Venus grew from about Rs. 5 crore in 1988 to around Rs. 1,400 crores in 2008. The company has earned the reputation of having revolutionized the domestic as well as international diamond cutting and polishing industry, and redefining the concept of a modern diamond processing unit.

Venus specializes in manufacturing of premium solitaires of sizes 0.50 to 5.00 carats and above, D to J colours and IF to I2 clarity, and in a variety of shapes.

The management remains under the control of the five family members, i.e., Kaka, his elder brother, and the nephews, Mr. Anil Shah, Mr. Rajesh Shah, and Mr. Hitesh Shah, who represent the second generation in the family business.

*"Venus is a trusted supplier of solitaires, recognized for its commitment to excellence, transparent business practices, ethical values, and also considered a benchmark for providing one of the best working environments in the world," said the Chairman, GJEPC, Mumbai, during a meeting in his office in Mumbai in July 2007. "We are proud of the way this company has grown setting standards and without compromising on their principles," said the Director, IDI (Indian Diamond Institute), Surat, in the course of a personal discussion in December 2006.*

## The Venus Unit

We visited several factories of the Indian diamond industry—from the largest manufacturers to the small four-room operations and even the single machine units operating in small houses in villages. But once inside the Venus gate, following a five-minute ride from the Surat railway station, it was an entry into a different world—An 8-storey 260,000 sq. ft. centrally air-conditioned, state-of-the-art manufacturing facility, built on a 6.5 acre plot (Exhibits 1a and 1b) that could easily be compared to the best in the world. Its landscaped gardens, spotless buildings, and smartly-dressed security guards extending warmth and hospitality, were omnipresent in this Venus campus. One of the security guards escorted us through the high tech security systems to the escalator, while another one waited on the eighth floor, to take us to Mr. Rahul, the General Manager.

## Ambience

The well-designed, sparkling structure, neatly divided into separate, spacious, aesthetically lit-up rooms created an ambience, rarely found in the best of corporate houses. More than a thousand workers and skilled artisans worked diligently and with discipline on their respective machines using computerized tracking systems, cutting-edge laser technology,

and the most modern and sophisticated diamond processing equipments. Contrary to the trends that earlier prevailed in the India-based manufacturing/exporting units of the diamond industry, in Venus, there was no child labour or abuse, or polishing of grains of sand (small sizes of diamonds). Everything was bigger, brighter, and better than the world outside their enclave; many diamonds were 2 carats upwards on the wheel.

### **Business Policies**

Talking about selling, Venus follows the law of non-negotiable price—Take it or leave it. It is perplexing to note that amidst thousands of units, this one works like a monopoly. Their first offer is their final offer and is determined by a computerized system, based on a long list of parameters which do not emphasize the fluctuating prices and the profitability of the company. Every parcel contains a single diamond piece and carries detailed description of the diamond, a practice they were the first to start in the industry. Credits are allowed only up to nine months, which has become a hallmark of the industry; at Venus, the average receivables in 2008 were just 10 days. Initially, customers were angry and the sales went down, but the company stuck to its policies, refined the grading systems, and ensured that the stones were well cut. Over time, they have developed a solid client base that is willing to buy their stones through website without physical inspection of the diamond.

### **General Environment**

It does not end with the diamonds and their manufacturing and selling. A tremendous sense of peace and satisfaction pervades the campus—pick any employee, and he would be willing to openly share his thoughts about the environment, work, and the fondly respected 'Kaka.' They have the privilege of two sets of vacations of three weeks each for *Diwali* and summer, eight working hours per day, pension schemes, and a system of self-supervision by the workers themselves. Of course, closed-circuit cameras are installed in many parts of the factory for the purpose of monitoring.

While the company has achieved the production of

an unmatched quality of polished diamonds, the other units wonder how they manage to do it? Here is a company which has not only defied all trends but has also succeeded in setting many new ones. Discussions with family members, employees, and even competitors generated a common response: *"Kaka's name is synonymous with credibility. The diamond sells by his name."*

### **The Founder**

Kaka is credited for transforming diamond processing in India. Born in 1948, in a family of moneylenders in Vadgam, a remote village near Palanpur, he lost his father at an early age. He imbibed the important values and lessons from his parents and eldest brother, who were very caring and affectionate. All his life he treated his employees with the same empathy. Kaka had been a brilliant student of the first batch of a school in his native place, up to class 11 (equivalent to SSC), beyond which he did not receive any formal education. Out of the four brothers, he was the most daring and had strong conviction. Determined to pursue his beliefs and being an uncompromising perfectionist, he has always led a simple and disciplined lifestyle. Simple food habits, gentle and caring attitude, clear thought process, strong willpower, dedication towards his duties to all, and high moral values are some of the attributes which distinguish him from the contemporary industrialists.

Technology, scientific management, and human resource management were never learnt by this humble and simple man in any management school; yet he has set an example of an exemplary businessman by being the first to adopt and develop unmatched world class technology and systems, and also taking people along with him as he struggled to reach the top. A firm advocate of punctuality, discipline, and commitment, Kaka believes that 'life without struggle is a life not worth living.'

Kaka came to Surat in 1965, and was in a dilemma whether to study further or not, and ultimately decided to take admission in an engineering college. But everyone was talking about the opportunities in the

diamond industry in those times. Even an artisan could earn 3-4 times more than what a teacher earned. He decided not to study further and switched over to diamonds.

*"There were uneducated people in the business and those who were studying stopped doing so because of the opportunities in diamond business, but all were intelligent and hard working... and there was scope for a large number of people to get employed in diamond business ...I learned about diamonds while moving in different units and was one of the few persons trading actively on streets. In 1969, we started our own company, Venus, named after the planet which shines brightest in the sky."* Kaka revealed.

In 1978, when Kaka returned from a 50-day pilgrimage, organized by his family for 700 persons, he was thoroughly dissatisfied with the quality of work done in their absence—the industry was booming; manufacturers were roping in workers from other companies. Instead of allowing inferior quality, he almost doubled the salaries so as not to compromise on quality, and established a unique incentive-based wage system.

*"Working in a manufacturing unit was considered below one's status in the business community; trading was dignified. People didn't want to have offices attached to the manufacturing unit. In 1982, I was the first person to conceptualize a unit with office and production in the same premise; the concept was later accepted by the industry,"* Kaka clarified.

Earlier, the owners operated from an office that was at a distance of 3-4 kms from the factory. Once in the late '70's, when the workers went on strike and the Manager informed Kaka about the seriousness of the matter, he instructed the Manager to lock the stones in a safe, and do nothing. After a few days, some workers walked into Kaka's office. he asked them to sit but did not utter a word. Ultimately, one worker hesitantly said, "What should we do?" Kaka's reply was, "Did you consult me before going on strike, why consult now." They decided to resume work.

*"A change was not accepted at first by the workers, but later only when it proved beneficial to all, did they understand."* Kaka confirmed.

All these years, while growing in an industry which largely belonged to the unorganized sector, the founder adhered to his principles, observing the law of the land, providing good working conditions and also by being the best pay provider. He was among the first to adopt technology and invent methodologies to achieve quality which was unheard of in the Indian diamond industry.

So, what has Kaka's Venus Jewel done over the years to be as successful as it is today.....

### **Major Innovations/Milestones**

The company has been credited with several firsts in the industry since its inception in 1969. A brief overview is given in this section and some of them are described in detail later.

*"Like others, I too got opportunities to make a fast buck, but never compromised on my principles till date. If you read history, it is the burden of bank interest along with buying on long credit terms which ultimately leads many to bankruptcy."* said Kaka.

As early as 1971, Venus decided not to borrow from any source other than a bank. In 1994, it was decided to buy rough only through cash, and not on credit. Both practices were otherwise very common in the industry.

*Kaka was terribly hurt by some comments made on the poor quality of gems made in India and also about the poor working conditions that existed here. He resolved to correct that impression,"* an old employee said.

*"I thought long and hard about how to make my employees happy, which would automatically result in making them loyal and dynamic,"* remembers the leader.

In 1978, Venus established a unique incentive-based wage system wherein the efficiency of each worker is

calculated daily, aimed at maximizing value addition, and this proved to be highly motivating. In 1986, a new diamond manufacturing unit was established, with observance of all statutory regulations, deploying various staff welfare measures, good working conditions, and an efficient, motivating, and ethical work culture, which became a benchmark for the otherwise unorganized diamond industry. In 1987, the company started computerizing, which helped in achieving information technology governance, integrating all business functions from manufacturing to sales. Kaka recalls,

*“It was difficult to find people trained in computer technology, then. The computer person, who was with us from 1987-1996, knew everything about our systems, left suddenly for the USA without informing us in advance. That created a severe problem. We tried to take work from the trainees, sitting with them, making them understand the various logics of programmes required for our systems.”*

*“In February 1988, during a visit to Antwerp, I found that the price of large-sized polished diamond was too high compared to the rough prices. After verifying this, I purchased the rough and started manufacturing diamonds, 2 carats and above, on a large scale, thereby pioneering the concept of high value diamond processing in India. Prior to this, the world had doubts about India’s ability to process such large-sized diamonds.*

*I spent extra working hours to make this large-sized diamond business successful. The key to success in this endeavour was strong focus on quality, attention to the minutest detail, and utilization of latest technology as much as possible. Equally important was to offer to our people a healthy environment with social security, welfare benefits, and the best wages in the diamond industry.”*

In 1996, the company developed its own Venus Grading System (VGS), which is in all likelihood, the most detailed grading system in existence in the industry. It specified 16 grading attributes for each diamond with multiple checking levels and more than 400 criteria-specific master stones. The general trend of rat-

ing a diamond was on the basis of only 4 grading attributes—carat, cut, colour, and clarity, or the 4C’s as they are popularly known (Exhibit 4).

*“Our primary objective in launching this exclusive grading system was to reinforce our customers’ confidence in their purchase decisions by bringing in greater transparency. The detailed and comprehensive description not only offers enhanced confidence and trust, but also peace of mind while purchasing diamonds,” said Mr. Anil Shah, eldest of Kaka’s three nephews in the business, and a partner of the company, who looked after the Sales office in Mumbai.*

In 1996 again, along with VGS, Venus introduced the concept of single piece-single parcel, providing detailed information of diamonds on individual packets for each of them with the intention of helping buyers make a comfortable, well-informed, and confident purchase decision. Buyers were not happy because earlier they were able to see many diamonds by just opening one packet, but here for each diamond, they had to open a packet. Naturally, they did not realize its benefit initially, which resulted in sales dropping drastically.

In 1997, the company launched the concept of selling high value diamonds through their website [www.venusjewel.com](http://www.venusjewel.com) — a first for any manufacturer in the global diamond industry.

*“If you have a will, determination to do something, and if you are convinced, be ready to sacrifice. Don’t get satisfied with what is not OK. At that moment, you might want to give up, but review it with faith, determination, and belief.”*

In 2001, the Superannuation Scheme (pension scheme) was started for the benefit of employees. It was a voluntary and unparalleled move in the industry, in which Venus operated. So far, it has been the only company in the diamond industry providing this scheme.

*“If we believe in being responsible to our people, taking care of them, not leaving them in tough times, and respect them, my experience is that they will put in their best,” Kaka asserted.*

In June 2002, the US \$12 million state-of-the-art manufacturing unit started functioning. It was a centrally air-conditioned, 8-storey factory premise of 260,000 sq. ft. area on a 6.5-acre plot, providing an excellent working environment. Kaka recalls,

*"I hired a fresh architect and was personally involved in the design of this new factory; it was my dream to provide a spacious and luxurious working place for my employees, and change the notion that diamonds in India were manufactured in sweat shops. Some, jokingly even commented whether I wanted to play football or manufacture diamonds when we bought this property."*

Exports crossed US \$100 million in 2002 on year-to-date basis. In 2003, the company introduced Confirmed Order Requirement (COR), a revolutionary system of buying diamonds on specification without personal inspection. Apart from boosting consumer confidence in the business integrity of the company, the system alone contributed to 12.31 per cent of sales in less than six months. Sales crossed the US \$150 million mark in the year 2003. In fact it grew from US \$67.09 million to US \$174.80 million in a period of just three years between 2001 and 2004.

*"Trust comes through experience over a period of time. Initially, I did not succumb to pressure; people believe that if I say something, there must be some well thought of reason in the interest of all. People have been laid-off overnight in our industry; trust is lost, and will probably not come back easily,"* Kaka expressed concern.

In 2005, the company hosted an in-house web server, providing the entire inventory on real-time basis for their online buyers. Later, besides the grading details, digital images of diamonds were also made available.

Sales through the website was about 37 per cent of total sales in 2006, which was a reflection of customer trust and confidence given the nature of the product. During the recent terrorist attacks in Mumbai, buyers were scared to come to Mumbai to purchase diamonds. In such a situation, their grading standards as well as their online sales system became a boon for Venus. The financial data for the company has been

provided in Exhibits 5a-5e.

### **Informal Organization Structure**

Venus operates through its manufacturing unit at Surat and a sales and marketing office in Mumbai. It is a partnership firm, with five members—Mr. S P Shah, his elder brother, and three nephews. The company does not have a formal hierarchical organization structure. However, people are grouped into different work areas (Exhibits 2a and 2b). A majority of around 86 per cent of the employees are employed in manufacturing, around 7 per cent as support staff including the canteen attendants and security watchmen, about 5 per cent are employed at the Mumbai sales and marketing office, and the remaining for data processing, audit, etc. It is easy to notice through the organization structure that overheads are at a minimum.

*"We aim to maximize on efficiency. What can be done through systems should not be ignored. Further when we ensure quality in our products, we need less marketing efforts. We have such systems in place that each person monitors himself, so there is little need for hierarchy,"* the leader stated confidently.

### **The Manufacturing Process Flow Chart**

*"No two diamonds are alike just as no two humans are,"* says one of the senior rough diamond planners. The diamond cutting and polishing process includes assorting, planning, marking, shaping, cutting, polishing, grading, checking, and measuring and is a labour-intensive, highly-skilled job. The rough diamonds are sorted and valued depending on shape, quality, colour, and size, using high-tech laser machines and the unique skills of the artisans. Each of the diamond processing sections employs artisans who have expertise in respective operations. The underlying assumption is to allow an artisan to excel in his area of specialization instead of providing discomfort in some other area; however, they can develop a new skill by choice. Some 1,270 skilled artisans, sorters, and graders make use of their traditional knowledge as well as the high-tech laser technology and machines to convert the rough stone into pol-

ished diamond through a well-designed manufacturing scheme. (Exhibit 3a, 3b, and 3c).

In an attempt to discover the secret of the impeccable Venus quality, Mr. Hitesh Shah's response was, "Every stone is graded, re-graded, and then again re-graded. Consistency is the key....." and this is supported by the wage system designed, or more correctly, invented by Venus.

### **The Unique Quality-/Incentive-Linked Wage System**

*"The focus here has always been on doing things differently and emphasis is laid on continuously outperforming our own selves" - a master cutter says. "Quality control (QC) is not the responsibility of a department or group. With us it is the individual responsibility of the artisan and employee working on the diamond, irrespective of the department or the part of the diamond he is forming."*

A unique wage system has been in place: If any artisan from any department identifies a scope of improvement in the stone, that would give better result than that estimated by the planners/markers, the concerned planner/marker would earn negative credits for under-estimating the stone whereas the artisan who noticed this would earn positive credits, i.e., an incentive over and above his basic salary. Conversely, if an artisan notices an overestimation of a given stone by a planner/marker, once proved, it would again invite negative credits for the planner/marker and an incentive for the artisan. Also, if an artisan is knowingly or unknowingly not able to achieve the results on a stone as estimated by a planner/marker, the same rule would apply. Additionally, within each department, the total employee strength is sub-grouped according to their performance levels which are dynamically monitored on a day-to-day basis.

Taking the planning/marking department as an example, a stone estimated by a planner/marker in the best performing sub-group could be randomly re-examined by another planner/marker, who may not necessarily be in the top sub-group. This method of intra- as well as inter-department checking is applicable up to the final grading stage in Mumbai, before a stone is put up for sale. A simple rule is that if one

makes more mistakes, not only is he losing money, but he also stands to be downgraded to a lower sub-group. Again, being downgraded to a lower sub-group implies that better quality or big-sized stones will not be given to him for processing, as the stakes therein are higher, and mistakes would result in a big loss.

On the other hand, if one has been downgraded to the lowest performing sub-group, and through pure determination, he minimizes or eliminates his mistakes, he is sure to rise up in the sub-group rankings. The better you perform, the higher is your rank, the more expensive are the goods given to you, and the more you can earn. In effect, therefore, before a polished diamond finally reaches the sales department, it has been examined and re-examined by a number of different people assessing it from a number of different angles.

*"Top class and unsurpassed product quality is the natural outcome of the process. There is no Quality Control department in our set-up, but individual accountability and responsibility for all, and every action/decision taken, inherently ensures the best possible quality control."* Mr. Rahul said with pride.

### **Transportation of Diamonds**

Transporting diamonds from the manufacturing facility to sales office in Mumbai relies to some extent on the trusted *Angadias* as described before. With the emergence of professionally managed domestic high value/precious courier cargo services like Brinks, Ferrari, Malca-Amit, Securicor, etc., the company also makes use of their services. As the goods are highly valued, insurance is done under the "Jewellers' Block Insurance Policy." The local *Angadias* also cover themselves under the same policy. However, the international couriers named above have their own insurance policies availed from global insurance companies.

### **Marketing and Sales**

Humility and Simplicity are the key values of the company's principals, and are percolated into its business. Although a pioneer of many path-breaking trends in



the Indian and global diamond industry, the company has been shy to talk about its own achievements. Conventional marketing practices have never been put to use at Venus Jewel; word-of-mouth is relied upon. The aim has been to give confidence to the end consumer that they are truly getting actual value for the money they are investing.

Kaka says, "If I can give to the market a product with transparency, customers although slow to approach, are ultimately going to prefer it. We have got customers the world over, who have confidence in buying diamonds from us, and are even willing to pay premiums on them. Not only that, they in turn have introduced us to other customers also, and so on." Naturally, because of this, we do not need to spend much for various marketing measures.

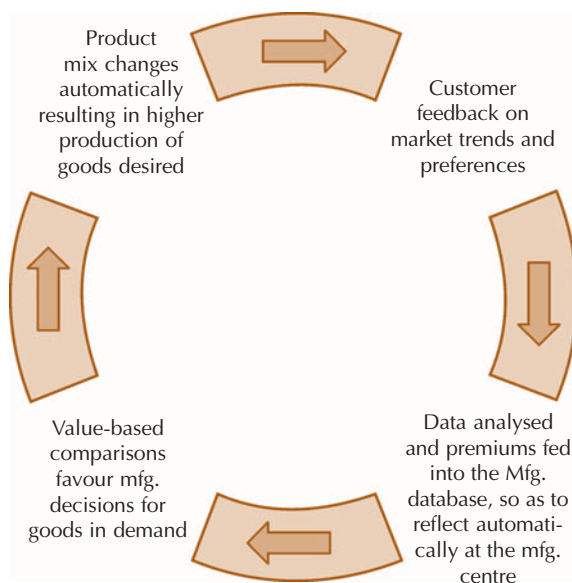
Such experiences have, purely through word-of-mouth, cascaded into a very strong customer base for us, across the world, in the USA, Japan, many countries in Europe, the Asia Pacific, and Asia Arabia, in addition to Australia, Canada, New Zealand, South Africa, etc.

A unique IT-driven business model (Figure 1) is in place which seamlessly merges the manufacturing, grading, pricing, sales and marketing aspects of the business. The sales and marketing personnel in the Mumbai office are in direct contact with customers

across the world, receiving information on preferred choices and consumer trends, and are thus able to keep track of the overall market scenario. By analysing the data received from the market and customers, the concerned personnel make suitable adjustments to prices of goods that are in demand. Since the pricing database in Mumbai and the manufacturing database in Surat are directly linked, the price changes made in Mumbai instantaneously reflect in the database in Surat. Manufacturing decisions are based on optimum yield attainment, which is decided or indicated by the estimated price communicated to the employees at the planning and marking stages.

The planners/markers take manufacturing decisions in line with the option showing the highest value gain. As a result, the product mix changes automatically catering to the new market trend. Besides, if a customer has a unique demand for stones, the request is analysed and a premium is proposed for manufacturing to be economical. It also allows for streamlining inventory, without any over-production or over-stocking. It is this very demand-led flexible manufacturing system that has allowed Venus to also assist their customers in minimizing inventories. With the change in product mix, customers will find on the inventory list only those goods that are selling fast in the market.

**Figure 1: IT-Driven Business Model**



### People-Management Practices

*"We make our people aware of the dormant capabilities, the immense unused potential lying within each individual of our organization. In addition, we never ask a person to perform a task which is below the level of his/her potential,"* Kaka informed.

The unique 'Incentive-linked wage system' works effectively, motivating employees to deliver optimum performance, while enabling them to earn higher wages and giving them job satisfaction. Complementing this system are HR policies emphasizing equal opportunity environment, encouragement to team efforts, human rights considerations, judicious grievance redressal systems, strictly regulated working hours as per prescribed norms, and provision of a medical centre. Along with all statutory benefits such

as PF, ESI, Gratuity, Bonus, Leave encashment, etc., although not mandatory, the superannuation scheme has been introduced, funded entirely by the company. Inside the company premises is a canteen where workers receive free lunch daily from a supervised hygienic kitchen, every member from the owner to the artisan or peon eats here.

Kaka clarified, *“It is not free lunch, because it is only for those who work here. If the workers are happy, they perform better, if they perform better, our clients are happy; and if the clients are happy, so am I.”*

### **Training/Recruitment/Salary Structure**

The company prefers to recruit experienced workers with a proven track record of honesty, diligence, and dedication in their area of work. Generally, good references of workers already employed are preferred. Initially, when a new employee is recruited, apart from the documentary requirements, as an added precaution, fingerprints (of all ten fingers) as well as both palm-prints are taken.

*“Learning comes from commitment. At Venus, everyone is taught with the same feeling with which I would teach my nephew or niece,”* the leader tried to explain how people got trained at Venus.

About the salary structure, the employees we questioned were not clear; however, there was a consensus that in general salaries at any level were at least two times those of their closest competitor.

### **Grievance Handling**

Venus has a grievance handling system to provide justice to any employee, irrespective of rank/designation, caste, creed or sex. For resolving production-related disputes, especially to account for the execution of the incentive-based wage system, a hierarchical dispute handling system is in force. The first level involves the concerned employees discussing the issue amongst them and arriving at a suitable solution. In doing so, if they so wish, they are free to consider the views of their colleagues.

If the dispute is not resolved at the employees' level,

they can approach a 'disputer' who is an employee himself, but has considerable experience in diamond cutting. The 'disputer' reviews such cases and explains his judgment to both employees, there being no compulsion to accept his verdict. In cases where either of the disputing workers is not satisfied with the 'disputer's' judgment, they can approach the senior-most 'disputer' who for now, is one of the directors and has considerable knowledge of both diamond cutting and polishing technology as well as of the entire production set-up. This third level 'disputer' first assesses the concerned stone himself and forms his own judgment. Following this, he calls both the disputing employees, listens to their explanations of the logic applied, tries to convince the employee who appears to have made the error, and then finally gives his judgment. If required, the second level 'disputer' can also be called in to explain his viewpoint.

For other general grievances, if required, employees are encouraged to meet even the directors. Once the grievance is heard, a solution is suggested by the director, and if the need be some administrative staff is appointed. For employees wishing to maintain anonymity, and to enable hesitation-free reporting, a complaint box has been placed. The key to this box is possessed by the directors; no one else can open it.

### **Welfare Measures**

Health and Welfare Benefits include a centrally air-conditioned factory building, well-lighted and ventilated work areas, company's own Medical Centre,, adequate sanitary facilities, RO processed potable drinking water, and an in-house canteen providing hygienic lunch in a spacious dining area. It also has a full-time Welfare Officer appointed, a Works Committee constituted, and appropriate HR policy and practices in place to implement these activities.

Social Security benefits include Provident Fund/Family Pension Fund, Employees State Insurance Corporation scheme (ESIC), Bonus, Gratuity, Group accident insurance scheme, and the company's own Superannuation (pension) scheme.

Safety and hazard prevention features include automated fire detection and prevention system, compre-

hensive surveillance system with over 350 CCTV cameras, smoke, gas, and heat detectors placed strategically, designated emergency exits, and stringent controls on use of flammable and/or hazardous materials. In addition, statutory building and employee safety norms are fully complied with; adequate safety gear is provided to designated personnel; a full-time Safety Officer is appointed; and a Safety Committee is constituted.

### **Communication Channels**

Since inception, founders have stressed on effective communication. Any lapse in communication is not accepted on any employee's part irrespective of rank, job or position in the company.

*"People have a tendency to send selective messages; we have meticulously tried to nullify them. Whenever a worker or artisan approaches me, I try to give him the highest priority."* Kaka affirmed.

Both written and direct verbal communication are encouraged in inter-office and intra-office communications; the smallest issues are recorded/communicated in writing, to the best extent possible. External agencies like suppliers, buyers, tool manufacturers, and any other allied associations are prompted to communicate through e-mail. Telephone conversations whether internal or external, are kept at a minimum. An issue might be discussed and even resolved over phone, but it is still emphasized that the same be communicated to all the directors via e-mail. Employees in the lower ranks, who may or may not be very conversant with computers, are free to approach the principals either directly or through an administrative staff who can assist them in communicating their issues in writing.

Negative attitude has no place; people are encouraged to think and act positively and discouraged to raise their voice during discussions. Before the vacation begins, Kaka addresses all employees through the public address system, or in a meeting, and advises them on various precautionary measures such as driving carefully, not indulging in vices like consuming tobacco, etc.

## **Adoption of Technology: Systems-Oriented Management**

### **Online Stock Search System**

Buyers can log in to the online stock section of the Venus website using the password and username issued to them. The online system allows a buyer to search inventory, feed their preferences for the parameters/characteristics of diamonds they want to buy, review the proforma, and confirm order. If there are any queries regarding a particular stone which they want to buy, they can request a hold on that stone and post their queries on the website itself. As soon as a 'hold request' with a query or an order confirmation is received, the sales staff in Mumbai gets a notification and suitable procedures are initiated to respond to the request, or execute the order.

### **Confirmed Order Requirement (COR) System**

This is another indigenously developed extension of the online stock selection feature. This system basically assists buyers in two ways, one, for initiating an auto search for desired goods which are not currently on stock and second, for requesting specialized manufacturing requirements (also known as Premium COR system).

### **Online Goods Tracking Feature**

This system has been devised to ease the hassles of manually keeping track of parcels that have been dispatched to customers across the globe. Apart from making management of extensive data easier, this system has almost eliminated the chances of errors occurring at the various manual data entry points.

When export parcels are dispatched from office, the concerned courier/agent sends copies of the Airway Bill No., Invoice No. as well as other relevant data to the Accounts Department. Upon receipt of these documents, the Accounts Department in Mumbai feeds in the relevant information for their records.

When these entries are committed to the database system, an e-mail is triggered to the concerned buyers informing them of the Airway Bill No., Shipment Bill No., Invoice No., etc. Simultaneously, the data also gets uploaded onto the website. Buyers wishing

to know the status of their parcels, simply have to log on to the website and access the required data using the Airway Bill No. or Reference No. that has been sent to them through e-mail. Any special comments that need to be included can be added here.

### **Contribution to the Diamond Industry**

Besides leading the path to the best practices in the diamond industry as mentioned above, Venus has contributed to other aspects of diamond trade and industry.

Kaka has served in important positions as the first Convener, Gem & Jewellery Export Promotion Council (GJEPC), Gujarat Region in 1987-88; the Vice President, Gujarat Hira Bourse; a Governing Body Member, the Indian Diamond Institute (IDI), and a Consultative Committee Member, the Surat Electricity Company (SEC), Surat. At present, he is a Managing Committee Member of the Gujarat Hira Bourse and the Southern Gujarat Chamber of Commerce and Industry (SGCCI). Planning of a prestigious SEZ project called the Gem & Jewellery Park that is now coming up in Surat is another noteworthy contribution of this leader.

Kaka has never received any awards for export performance from the GJEPC. *"An award is an honour. I don't think it is right to 'apply' to avail an honour. They have all the data. If they want to honour someone, they can invite him, instead of asking for an application,"* he expressed strongly.

### **Social Responsibility**

Venus became a trendsetter by equally supporting other humanitarian activities beyond the barriers of caste, creed, and religion. Contribution of Rs 5 million to the Computer Engineering Faculty of a College of Engineering and Technology at Surat, which was baptized in the memory of Kaka's father, Late Shri Premchandbhai Ishwarlal Shah, and also generous donations to the State Chief Minister's Fund for educating the Girl Child are just a few examples of his philanthropy. In order to promote education, donations were made to various schools and educational

institutions in the owners' native place, Vadgam in North Gujarat, in the tribal belts of Dangs district in South Gujarat, and elsewhere.

Other philanthropic activities ranged from the development of water resources in Saurashtra, a western dry region of Gujarat state, to the rescue and relief operations in earthquake-affected regions of Kutch and during the severe famines in Gujarat and Rajasthan. Kaka stood by the people in need during natural calamities and communal tension, and contributed both in terms of donations and personal service towards the development of medical facilities at various hospitals.

During the major plague epidemic in Surat in 1994, there was a mass exodus of the city's population. Kaka decided to stay back and assist in restructuring of the city. There was tremendous pressure from the family as well as his acquaintances to leave the city. Kaka not only stayed back himself, but was also instrumental in curbing the panic amongst his employees who stayed back. Kaka was among the first to start the factory again, immediately on the appeal of the then Collector of Surat.

The plague having received attention in global media at that time, Kaka was the first person from the city to be interviewed by the BBC radio for a global telecast about the city's condition and he urged people not to panic, assuring them that things would get back to normal soon. History of the city tells that after the plague in 1994, it saw a turnaround from a dirty and filthy place to one of the cleanest and prospering cities of the country, and this was supported by contributions of people like Kaka.

### **ROAD TO FUTURE**

Having achieved the dream of making Surat the world's largest diamond cutting and polishing centre, most diamond cutters now want to make this city the global trading capital for rough and polished diamonds.

On the recent recession in the diamond industry, Kaka opines,

*“What happened in 2008 was not a recession, but a correction, for people to undo their mistakes, and realize that it is of utmost importance to practise business ethics and to take care of employees during such times and not to leave them stranded.”*

Reports suggest that the diamond industry is set to bounce back soon, the worst having been seemingly over.

Indeed there are so many uncontrollable factors like

competition, availability of raw material, government policies at home and in the other competitor and/or buyer countries, market fluctuations, changes in the trends, tastes, and purchasing power of the people across the world, which will have a bearing in the industry’s position in future. However, the industry is reviving and will establish new avenues and scale new heights, so will Venus. This is the general sentiment of optimism and hope at the CPD unit of our case. ♡

### Exhibit 1a: The Factory Exterior and Interiors



### Exhibit 1b: The Processing of Diamonds



The Rough Stone

The Polished Diamond

Exhibit 2a: Organization Chart of Venus Jewel (Surat)

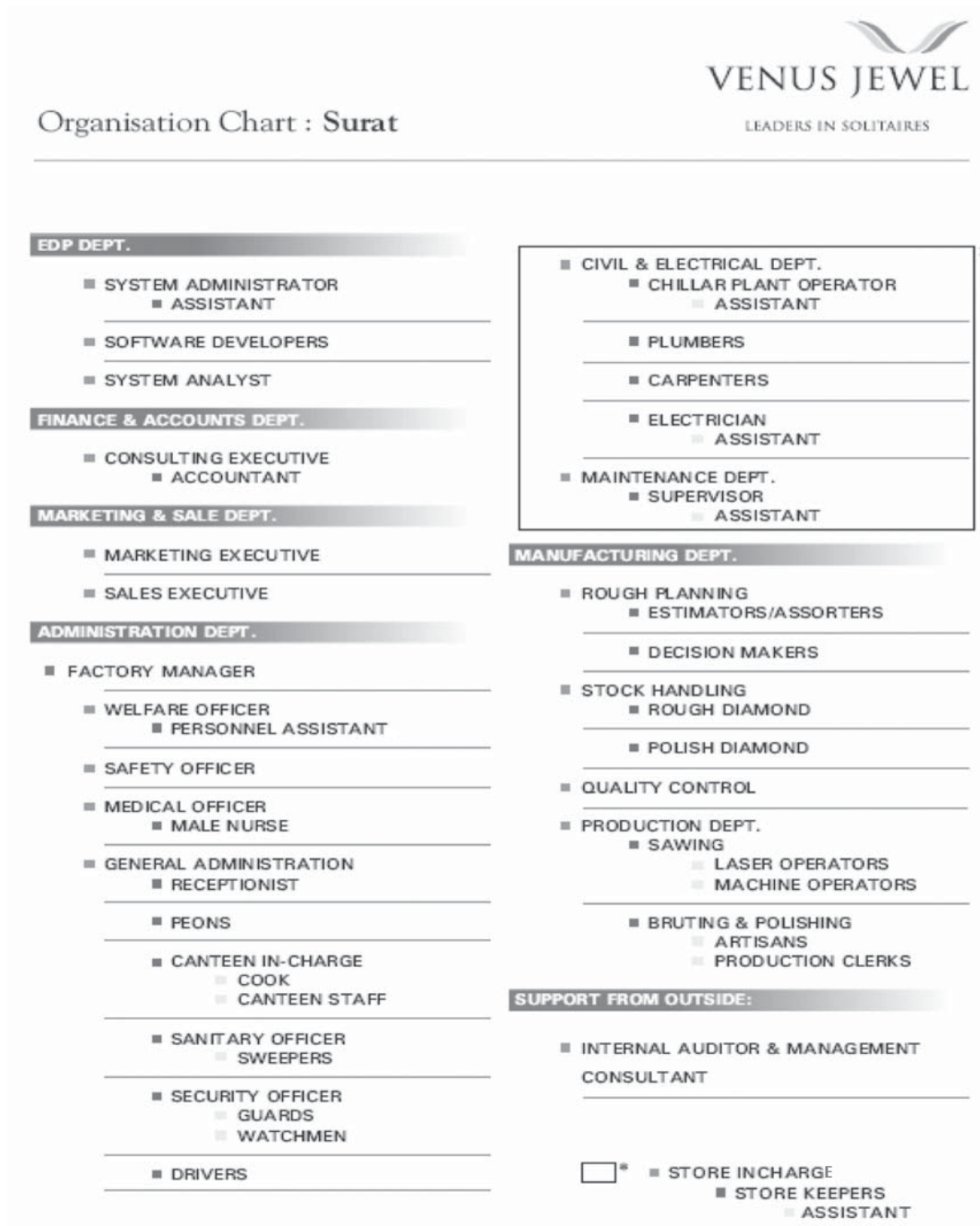
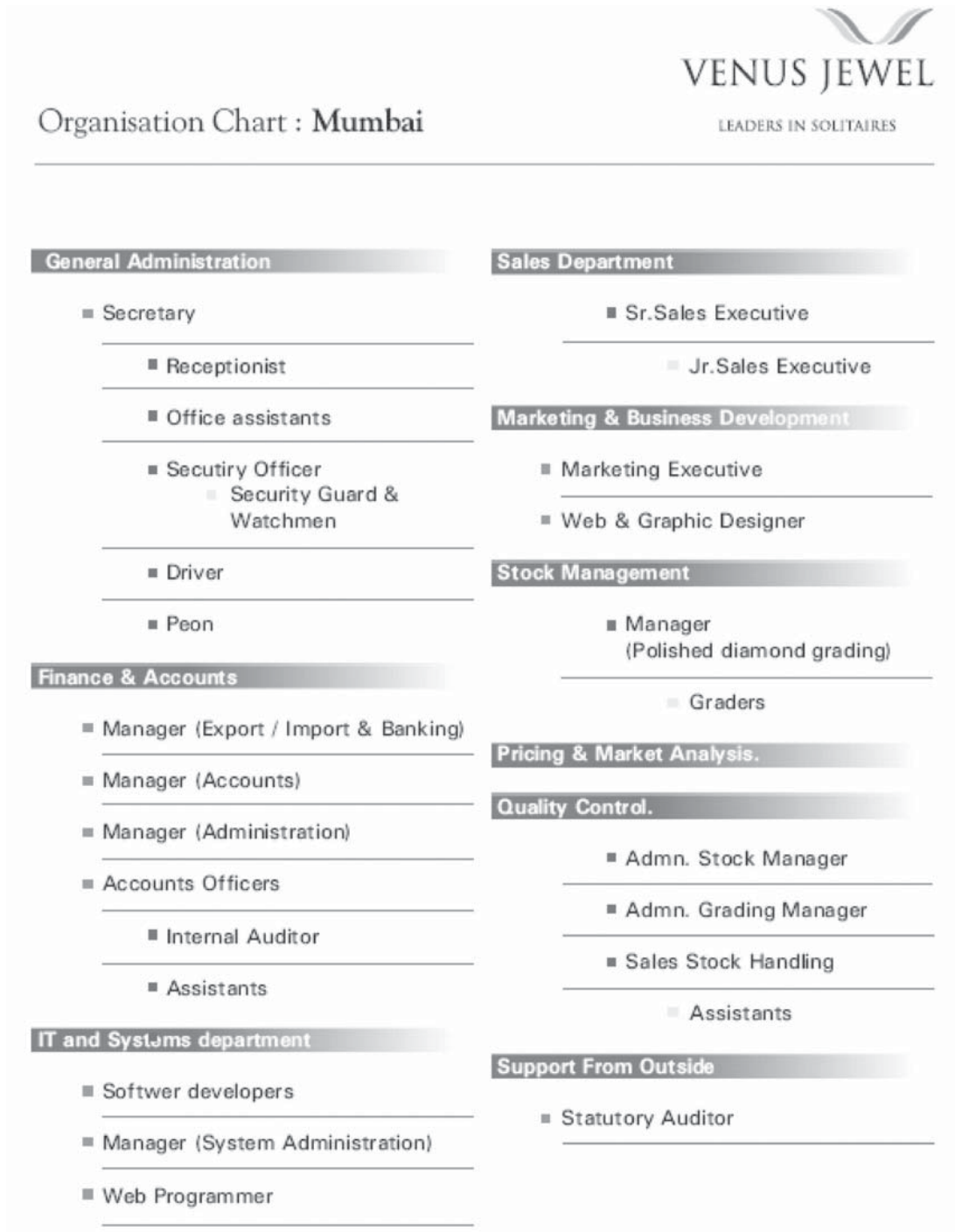


Exhibit 2b: Organization Structure of Venus Jewel (Mumbai)



**Exhibit 3a: Manufacturing Process Part-1**

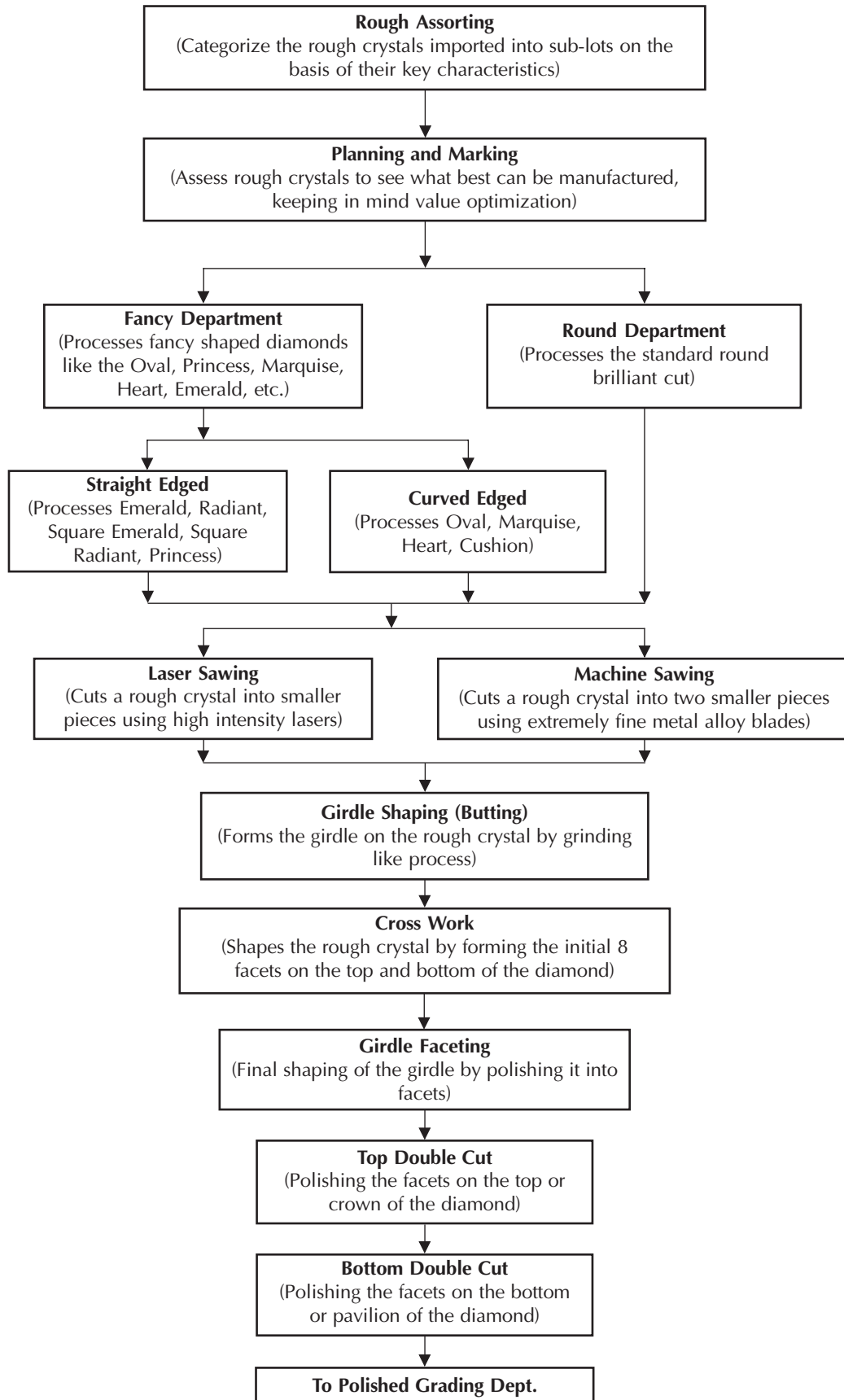
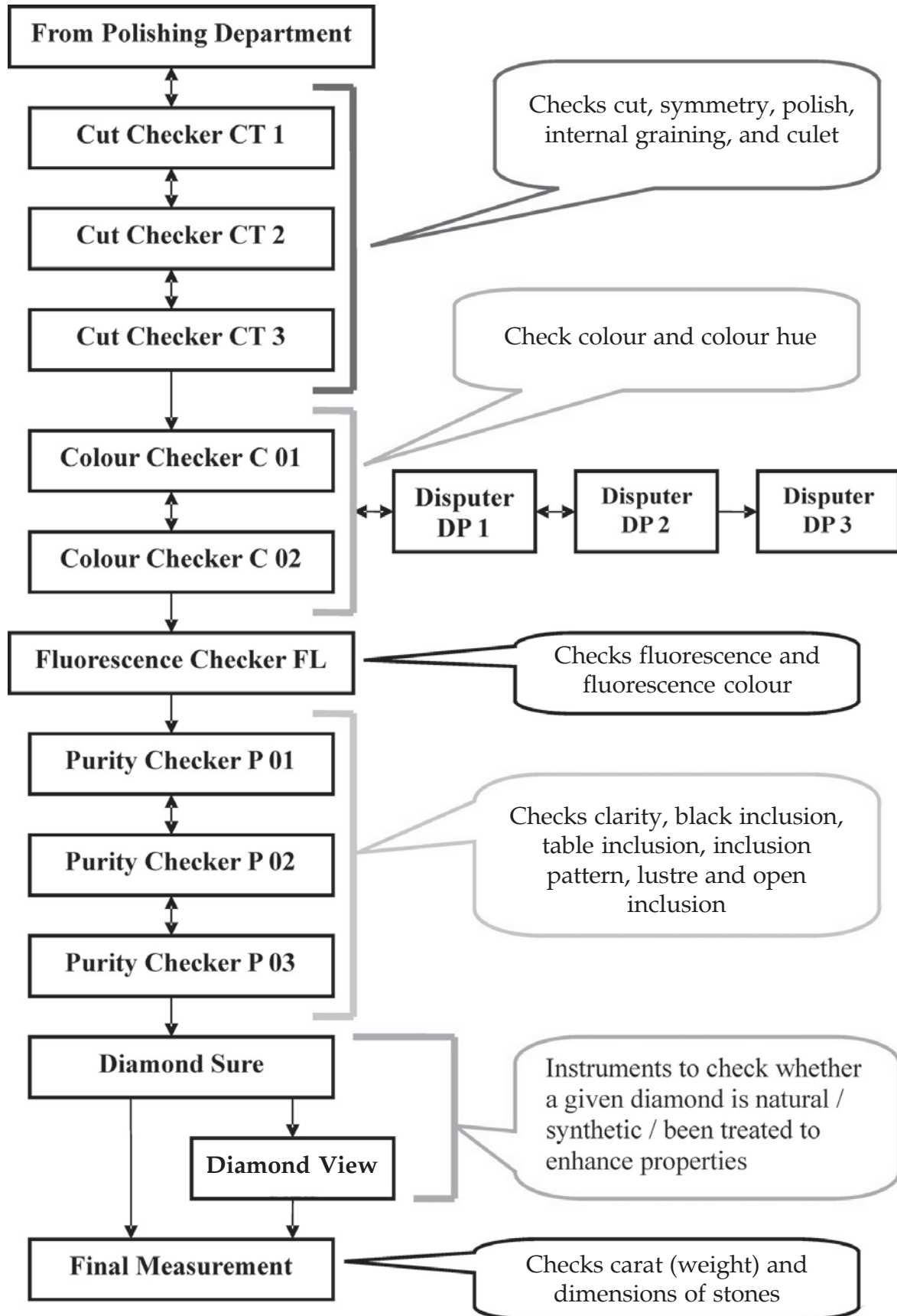


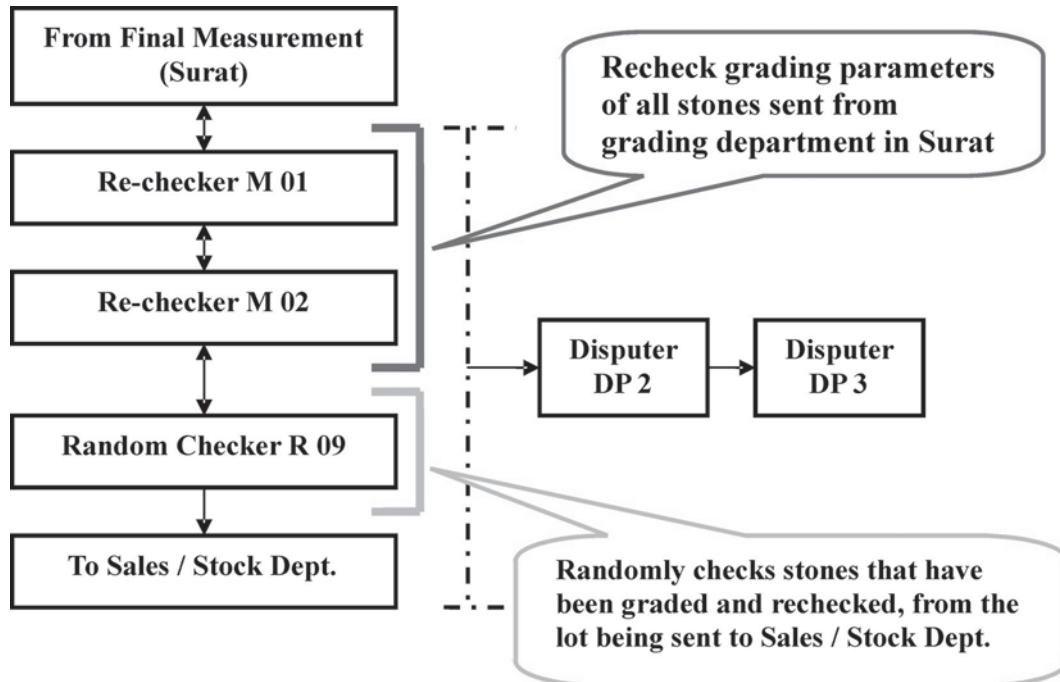


Exhibit3b: Manufacturing Process Part-2



### Exhibit 3c: Manufacturing Process Part-3

#### Quality Check at Mumbai Office



### Exhibit 4: The Venus Grading System (VGS)

#### The Premise

Depending on the internal characteristics like grain structure, planar alignment of rough diamond crystals, and specifically the size and location of inclusions, every diamond is different. The VGS aims at grading and pricing each diamond uniquely. Through years of continuous research and interaction with customers, gray areas were identified and refined to offer transparency to customers. This iterative process has led to the addition of 12 parameters besides the 4 C's, each of the 16 grading attributes are further divided into sub-grades, thereby offering detailed grading.

#### The Grading Methodology

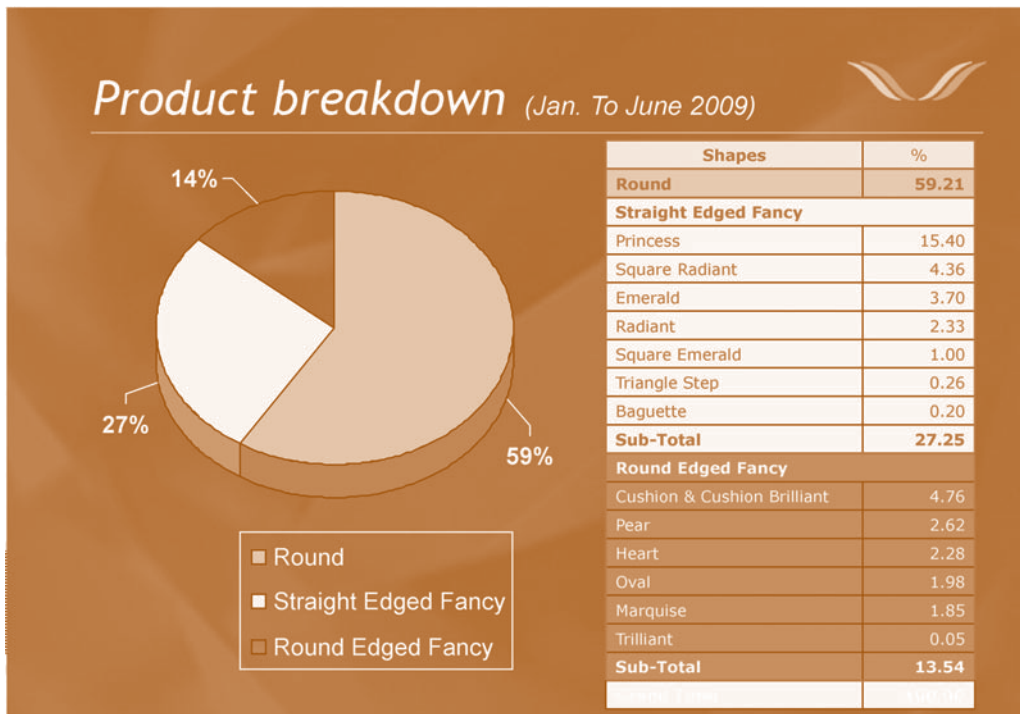
The 16 attributes of the VGS are classified into 4 parent groups. The grading department consists of about 35 polished diamond graders who, according to their skill sets and expertise, are allotted to each parent group. Within each parent group, the graders are categorized according to their individual performances from 1 to 3. Utilizing extensive IT technology, a performance monitoring programme assesses and decides a grader's promotion to a higher category or demotion to a lower category, irrespective of his present category. In order to enable accurate grading, there is a set of about 300 Master Stones which, the graders can refer to when in doubt. To resolve differences of opinion among graders, grading experts can be consulted. These grading experts are also segregated into three categories according to their performance. When a diamond reaches the grading department, it is first issued to the CUT checkers (consisting of 3

categories CT1, CT2, and CT3) where the Cut, Symmetry, and Polish are checked and graded (Exhibit 4). Following this, the diamond progresses to the COLOUR checkers (consisting of categories CO1 and CO2) and then to the FLUORESCENCE checkers. Thereafter, the diamond goes to PURITY checkers (consisting of categories PO1, PO2 and PO3). Finally, the diamonds pass through the Final Measurement Stage wherein their dimensions are checked and verified one last time before being shipped to the Sales office in Mumbai. Before Final Measurement however, the diamonds are checked on the Diamond Sure (an instrument used to detect diamond types). This is done to protect against the threat from synthetic/cultured diamonds. Any diamond indicated doubtful by this instrument, is checked in further detail on the Diamond View. Both these instruments have been developed by the Diamond Trading Company (DTC) and examine diamonds on the basis of their optical performance spectra under UV and normal light.

In the Sales Office in Mumbai, once again the parameters are assessed by graders, before being finally transferred to the Sales Department. This entire grading process is tracked via the extensive IT set-up wherein records of all decisions whatsoever, on each and every diamond are recorded. As a result, the graders' salaries are also calculated on the basis of their performance. An error invites a penalty whereas performance better than expected will fetch an incentive, over and above the base salary. This automatically leads to the graders being responsible for their own pay packets, while at the same time also establishing accountability.

Exhibit 5: Venus Statistics from 2005-2009

Exhibit 5a: The Product Mix



The Product Mix

Exhibit 5b: Purchase of Rough Diamonds



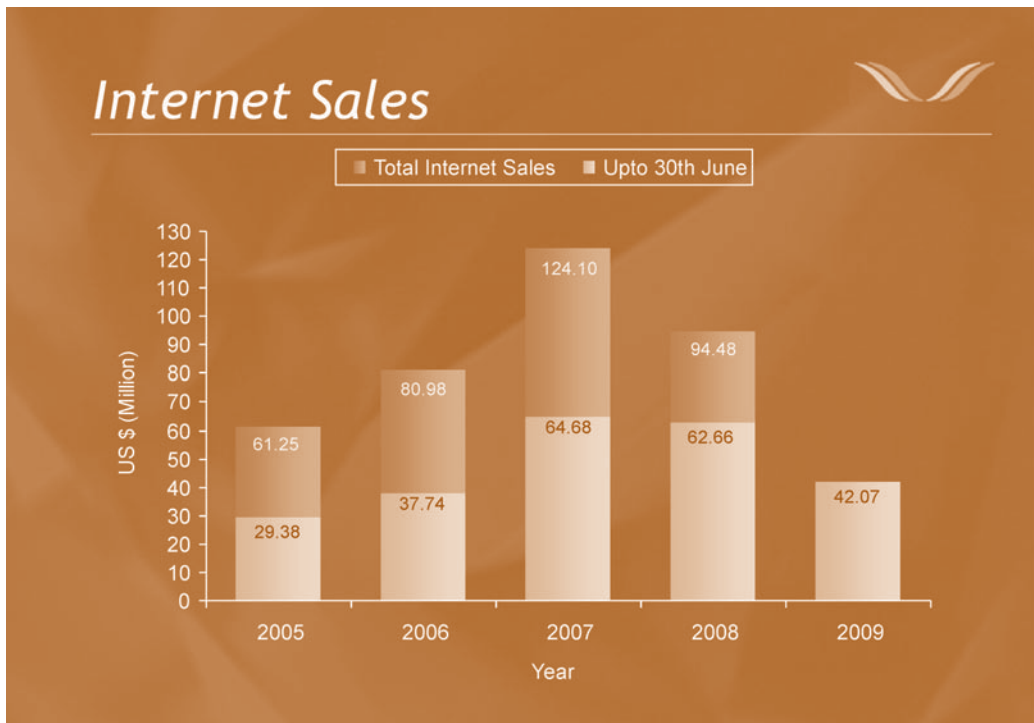
Purchase of Raw Material

**Exhibit 5c: Sale of Polished Diamonds**



Sale of Polished Diamonds

**Exhibit 5d: Proportion of Sale of Diamonds through Internet**



Internet Sales vs Total Sales

## Exhibit 5e: Average Inventory Levels in Working Days

	2006	2007	2008	Till June 30, 2009
Rough Inventory	41	15	14	28
In Production	56	49	41	39
Polished Inventory	33	35	55	113

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*Leadership is not so much about technique and methods as it is about opening the heart. Leadership is about inspiration—of oneself and of others. Great leadership is about human experiences, not processes. Leadership is not a formula or a program, it is a human activity that comes from the heart and considers the hearts of others. It is an attitude, not a routine.*

— Lance Secretan