

# We are now omnidextrous to sustain! Story of CERA India

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Received 27 July 2020  
Revised 4 August 2020  
15 August 2020  
Accepted 15 August 2020

## Abstract

**Purpose** – This study aims to help students to relate their theoretical knowledge in managing change in a crisis. It is more relevant in today's pandemic situation and could be a morale booster for many entrepreneurs who are struggling to sustain.

**Design/methodology/approach** – It is based on managing real-life change situation in organization, and it is presented in narrative form.

**Findings** – CERA India could successfully transform and sustain in Covid-19 pandemic situation with an inclusive approach, without losing their identity.

**Research limitations/implications** – This study is based on consulting experience and success story of one organization in pandemic situation. Important message is in a crisis, organizations can sustain partnering with people. But, this depends on the prevalent culture of the organization. Also, other organizations before replication need to ascertain the problem of their brand dilution, for shifting their focus to other product lines.

**Practical implications** – This story can be used in organizational change management classes, and students may be assigned to document their lessons. At the end of the story, some possible areas of investigation for students are listed for getting appropriate direction.

**Social implications** – In this pandemic situation, this study is socially relevant, as it shows how organizations can sustain with a human face.

**Originality/value** – This study is original and based on real-life experience in managing organizational transformation in a crisis situation. The name of the organization is imaginary, as organization did not like their name in public. This is one reason of not using their data for tabular presentation.

**Keywords** Change management entrepreneurship development, Strategic management, HR strategies

**Paper type** Case study

## Introduction

CERA India started their business with innovative unbreakable and scratch-less ceramic kitchenware with irresistible design and colour at a competitive price. The company revolutionized the market for ceramic kitchenware, making it an impulsive buying item for households. People buy CERA's product ranges not just for its utility value but also for cost and esteemed value, as they enjoy sense of pride at a competitive price. Being innovative,



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Vilakshan - XIMB Journal of  
Management  
Vol. 17 No. 1/2, 2020  
pp. 173-179  
Emerald Publishing Limited  
e-ISSN: 2633-9439  
p-ISSN: 0973-1954  
DOI 10.1108/XJM-07-2020-0051

CERA also, as part of their business strategy, considerably reduced their product life cycle, so that customers get captivated for ever – more like *once with CERA always with CERA!*

Promoted by two IITians in 1995, in no time CERA positioned them in the market, not only by creating their own niche but also by replacing existing players, as CERA is giving the best design and colour at a very competitive price. In no time, the company grabbed enviable market share and so also achieved very high market capitalization. Immediately after the initial public offering (IPO) in 1997, by the year 2000, CERA could make them debt-free. Today, CERA's shareholders also include many foreign institutional investors (FFIs). In the beginning of the year 2020, CERA's market capitalization stood at US\$3bn, and the company became among top ten in international market. With three plants and one R&D centre in *Khurja*, the house of hand potters in the state of Uttar Pradesh in India, the company achieved business turnover of US\$75m in the year 2019–2020.

One unique way of sourcing talent by CERA was to identify village potters who makes handmade ceramic items. These potters are like *gypsys*, as they move from one place to another to sell their products. For recruitment of managerial employees, CERA believed in sourcing through campus. Both such recruits are adequately trained and taken through structured onboarding for three months, primarily to inculcate feel good experience. Every recruit enjoyed sense of pride, on being inducted into CERA and reported a strong sense of identity with the company. By the end of 31 March 2020, the company had headcounts of 1,500 on permanent payroll, and an outsourced pool of 150 workers for support functions. As a policy, CERA only used outsourced employees for non-core activities.

### **CERA's human resource practices**

Being started by professionals, right from the beginning, CERA was for pro-employee human resource (HR) practices. The idea behind was to partner with people so that employees can also enjoy sense of ownership.

#### *Compensation and benefits plan*

While designing compensation and benefits plan, CERA emphasized on performance-related pay (PRP) as additional top-up. The PRP formula was so designed that CERA could inculcate a performance-driven culture. Fixed components of compensation and benefits plan were limited to meet the statutory requirements and kept within 50% of the total pay. Rest part were variables and aligned with the PRP formula. Superior performers who delivered exceed expectation level of performance were additionally rewarded with stock option. Such stock option was made available with multiple riders like minimum vesting period of five years, consistent track of performance at exceed expectation level for succeeding two years and virtually adhering to all key performance indicators (KPIs) (other than performance target) followed by CERA, like compliance with ethical practices, diversity inclusivity, impersonal managerial decisions, transparency and providing minimum two workable creative ideas, which the company can translate into new product design. All these CERA measured using a five-point scale, and managerial employees were expected to score above 3.5 to be eligible for exercising their sell option after the vesting period. With high market capitalization, CERA employees felt satisfied with their stock option, as sooner or later, they can get substantial benefits. Unlike other organizations, CERA did not impose "claw back" provision to recover the paid incentives for poor performance in succeeding years. Every year, the compensation committee of CERA reviewed their compensation and benefits plan, based on market-benchmarked data, and remained market competitive. Internal pay equity, to the extent possible, was ensured by CERA based on calculation of compa-ratio. Such equity, however, restricted only to the fixed

component of compensation and benefits so that super performers continue to deliver their exceed expectation-level performance. CERA's compensation and benefits plan could not only drive the culture of performance, but also ensured retention of talent. CERA's voluntary attrition rate remained less than one percent since its inception.

#### *CERA's employee capability development plan*

Being an ardent believer of continuous employee development, to remain competitive in the market, CERA had a mandated minimum ten man-days of training per year for all cross-sections of employees. CERA being embraced the model of learning organization, apart from mandated training, focused on regular workshops, involving village artisans and design and development team members, so that they can learn from each other. In such workshops, village artisans develop their handmade items with their make-shift hand spins (pottery wheel), which design and development team members capture in their camera and then using AutoCAD, translate those into new design for subsequent engineering and improvement. New designs were then shown to the artisans to get their mandate whether they really think such engineered designs were good. Artisans were also taken through to the possible use of technology in their work processes, keeping in view their level of understanding. CERA believed ceramic kitchenware can be improved combining the skill and knowledge of village artisans and modern engineering. In fact, this is true for all traditional and non-institutional skill. Our ignorance only limited such traditional skill to handicrafts.

These apart, training on process reengineering, behavioural economics and customer relationships management practices were conducted regularly. Understanding customers' needs was a common requirement for all cross-sections of employees. CERA's employee capability development plan was so successful that even some of their competing companies followed their approach and adjudged CERA as the best practice organization in learning and development. CERA's employees also believed they get opportunity to renew their knowledge and skill on ongoing basis. Because of embracing the learning organization model, CERA also emphasized on career development opportunities for their employees, rigorously following the "promotion from within" policy. CERA refrained from lateral hiring and only believed in in-house grooming. Such career development opportunities were also an important driver for pooling the best talent from campuses.

CERA's important thrust areas on HR practices were truly supporting the company to emerge as winner and second to none in domestic market.

#### **The board room**

CERA's board is also represented by workers' and employees' representatives. Workers and employees are selected by the management of CERA, based on seniority, both in terms of age and service experience with CERA. On a weekday in the month of March, the CEO of the company Mr Suresh started the meeting with a dismal note, highlighting the financial performance of the company in the first quarter ending 30 June 2020. The company had huge loss, resulting in depletion of their net worth by 50%. All pending institutional orders have been cancelled by the customers, bringing a total halt in production. In retail market also, people were not buying their products, as people in general went out of money for job loss, and consequent shift of priority for food items. With massive curtailment of manpower, CERA is now just running with 25% of their headcounts and planning for further reduction to stay afloat. However, days ahead indicated imminent closure of the company and salvage, whatever they can, to pay back dues to workers, as the company is debt-free.

CEO asked for opinions of the board members to moot the proposals for winding up. He kept the house open for discussions on any possible ways for turning around from such a seemingly difficult situation. After the hour-long deliberation of senior board members, no solutions were around, except permanent closure of the company and salvage whatever CERA could to meet company's liabilities to employees. While Suresh went for listing the final proceedings for CERA's dissolution, one senior worker, who was a village artisan, raised his hand, indicating his choice to speak. Suresh was dazzled; when they all agreed, what this old man had to say, excepting on their entitlements! To the surprise of all, this senior workman, from artisan family, offered a blueprint to CERA to turn around.

Being from a traditional village artisan community, these people know the natural dyes and colours that work as a shield to people, when used in masks and personal protective equipment (PPEs). Moreover, these can be reused till it get torn and washable with normal soap water. "Why don't we go for this?" He asked, citing examples of many high-tech organizations that are now desperately trying to sustain producing PPEs and masks. "With mounting cases of Corona and our firm conviction that we must stay with it in years to come, this can give a lifeline to the company. Anti-viral, anti-bacterial, and anti-fungal properties of these dyes and colours can truly give competitive edge to the company over other players in the market, which can only provide disposable masks and PPEs made from environment unfriendly bio non-degradable materials".

Suresh and other board members immediately responded and assured to relook into the matter. A task force was constituted under the leadership of this artisan to take the team through the process of new product development. The team further extended the product line to aprons and ready-to-wear dresses, highlighting the health essence. The task force decided the company should buy plain cotton clothes and then made those germ-free through natural treatment like hot water flushing and then apply the coating of natural dyes and colours. The marketing team were instructed to go for product positioning; initially offering at free of cost to some doctors and health workers, to buy their confidence and to understand their comfort level. With their endorsement, the company then went for product positioning in the market, with a catchword "wear to war". The pricing was very competitive, and additional value inputs of colour shield and repeat use made the company's new product launch a roaring success. Suresh then wondered whether they were becoming omnipresent with omnidexterity!.

We know ambidexterity, which denotes organizational strategy for balancing present and future, focusing on exploitation and exploration. While exploitation can help company to remain efficient in their present operation generating adequate cash flow, exploration is companies' pursuit for investing in future in terms of innovation and research to make the company future ready. By contrast, omnidexterity, in terms of organizations, denotes a firm's preparedness to go for change swaying with the trend, using both hands and legs of the organization. The village artisans here symbolically denote limbs of the organizations, who can also be an agent for churning out organization from crisis. The author had similar experience in tea gardens, where workers can smell the possible attack of red spiders and use disinfectants in advance to save the garden from possible ruin. Similarly, by tongue tasting, tea quality can be ascertained by the tea tester manually. In aquaculture, water salinity is also tasted by workers using their tongue. Fermentation process of molasses for production of rectified spirit can also be adjudged by workers through tongue tasting. This is very critical testing, as based on workers' recommendation, quantity of yeast (yeast facilitates in quality and timely fermentation) can be decided. All these require traditional non-institutional skill, which are possessed by workers.

In the Covid-19 situation, organizations need to be omnidextrous, else they must quit.

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### New normal with Covid-19 and CERA

Suresh, the CEO of CERA, is a ceramic engineer with subsequent management qualifications both from premier universities in India and abroad. His other founder colleague, who heads company's operation and administration, Naresh, is also with similar profile. Both Suresh and Naresh started CERA to make best use of their ingenuity with a mandate to showcase India to the world that "we also can manufacture best world class kitchenware with ceramics at affordable price and with world class quality".

With shift in their focus during the pandemic situation, they were worried; "can they come back to focus on their core?" Gradually, people were made to believe with Covid-19 that they must sustain. The new normal situation with Covid-19 would require them to continue parallelly their activities and fend for living. In a turbulent world, people need to make their own way to sustain.

Gradually, CERA's finished inventory started moving, and Suresh and Naresh felt the need for restarting their core activities without losing their brand identity. The word ceramic is embedded in the word CERA, let the world understand it!

While shifting to production of masks, PPEs and aprons, CERA could reengage some workmen who were earlier shown exit door. With some skill change training, these workmen were successfully doing their job. Majority of the workmen even then remained out from company's payroll. For Naresh, it was a great challenge to get some of them back to work. One advantage for CERA was their workers were all sourced locally, and hence, they had their residences within a commutable distance. Hence, CERA had no problem in getting some of them back to work. But, the company felt that the real pinch is to get their managerial employees back to work. With exit order, many of them left the area and started work from home (WFH) for other companies with less compensation and benefits. WFH was a boon, as they felt it is a cost saver, and they can ensure better work-life balance. Nearly 20% of their managerial talents refused to come back and asked for settlement of dues. Rather than new hiring, Suresh and Naresh embraced age-old work simplification model, redefining their work processes. Workers were also empowered with new knowledge and skill and were given the decision-making power following the principles of CISCO's council style of management, i.e. distributed decision-making. With nearly 40% less headcounts, CERA started their core activities with agility. Gradually, it became their optimum headcounts, which is an example of lean management.

CERA was also wanted to continue with their new product verticals for its potential revenue-generating capacity. With parallel two product lines and multiple product-mixes, CERA was struggling with their reduced headcounts. But, continuous process reengineering could help them to work out feasible solution. Even in this crisis, CERA struck to their philosophy of not outsourcing their core activities. In new normal situation, CERA could observe with 60% headcounts, they were managing comfortably.

Suresh and Naresh were then relooking into the HR systems and policies. They wanted to calibrate their compensation and benefits plan, performance management systems, training and development and so also career development plans.

In the new normal situation, CERA decided to reduce their load on variable components of compensation and benefits plan, as their PRP factored almost 80% of the performance target achievement and rest 20% on other KPIs. In the new normal situation, performance target achievement remained elusive for market uncertainty. Initially, Suresh and Naresh decided to go for new PRP format with differential weights between performance targets (both individual and group) and other KPIs, but later they thought this can only be a new way to do the same old thing, rather than achieving any incremental change. With long deliberation along with compensation committee members, headed by the chief human

resources officer (CHRO), they decided to raise fixed compensation component, reducing the load on performance variables. Naturally, such a move required strengthening of performance control and monitoring system. But, this was not the case for CERA. With work simplification and process reengineering, CERA already ensured culture of self-control for all cross-sections of employees. CERA's performance-driven culture further added to it. Finally, the company decided to raise fixed component of compensation, from existing 50% to 75%. Rest 25% were kept for outstanding innovation.

Performance management system calibrated with mandate of generation of 10X value of wage costs for the overall organization. When the performance accelerated or decelerated, the fixed pay component got adjusted with pre-standard multiplier. To respect super performers, CERA used prizes like foreign tour with family, scholarship for children education and assorted CERA gift pack. This process could help CERA to achieve a balance between individual and group performance. Further, CERA embraced performance engineering approach to review 10X formula, pacing with the market situation. In a sluggish market, 10X could be adjusted downward, while when market boomed, 10X could be upwardly adjusted. Similarly, CERA also brought changes in KPIs with more thrust on innovation. In the new normal situation, CERA believed innovation can only make them sustainable. With fixed pay, CERA's workers also felt happy, as such guaranteed pay can also raise their statutory retiral benefits.

With change in compensation and performance management systems, CERA's wage cost average rose by 15%, but again company could save on overall wage bill for 40% less workforce. Moreover, CERA had to delayer their hierarchies from ten levels to four for work simplification and for council style of distributed decision-making; which further reduced their overall wage cost significantly.

In the new normal situation, CERA gave further thrust to their training and development and employees' career development programmes. Training and development further emphasized on process reengineering, process innovation and systems thinking. Career development programmes were not just limited to rising through levels, but "status ranking" with equivalent pay and benefits.

With all such changes, CERA was back in the new normal situation with much more vigour and resiliency. Today, CERA also extended their product lines, introducing herbal hand sanitizers, herbal immunity booster, herbal snacks items and herbal tea. With all these, CERA today is a company to set example before us with their new philosophy "We dared to fight, and we won – CERA the name you can count".

### Notes for students

To list the lessons from this corporate story, you need to study:

- different strategies for compensation design. In this case, while globally companies are giving more emphasis on variable pay, CERA went back to emphasize on fixed pay, even then emerged as winner. You need to critically evaluate this trend;
- this corporate story also illustrates the benefit of reverse mentoring and collaborative learning. CERA could turn around because they listened to their workmen, who showcased their talent, suggesting use of anti-microbial natural dyes and colours for new products and its subsequent use in their core products, i.e. ceramic-based kitchenware;
- this story also illustrates how bonding with workers, organizations can sustain in a situation of crisis!

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- also, the story illustrates the example of inclusive technology, which provides a win–win solution for all stakeholders;
  - students also learn the example of corporate restructuring without facing problem;
  - overall, the story explains how organizations can develop their coping strategies to sustain in a situation of crisis;
  - finally, this story introduces a new concept of omnidexterity or omnidextrous organization, indicating all four (upper and lower) limbs of organizations to sustain in crisis; and
  - this corporate story also illustrates the example of organizational resiliency, as rather than taking a defensive approach; in this case, the company-initiated actions that could provide positive results. Identify the positive elements in company's action, which you feel truly demonstrate organizational resiliency.

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