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**Dr. V
Padhmanabhan
&
Mr. Sudhir B**

**The Leadership Change at the
Casino Blue Bell**

**GOA INSTITUTE OF MANAGEMENT
PORIEM, SATTARI,
GOA 403505**

THE LEADERSHIP CHANGE AT THE CASINO BLUE BELL

The Casino Blue Bell was promoted by TPP Pvt. Ltd with a mission to provide an exciting entertainment and hospitality experience. The TPP Pvt Ltd was owned by two NRI¹ venture capitalist, having a wide array of investment portfolio ranging from software solutions to financial brokerages.

On December 31, 2003, during the new year eve, the casino was grandly inaugurated with a lavish celebration. The Blue Bell was positioned as an extravagant casino setup in a beach side location at a coastal strip of India. The casino provided gamers with a luxury gaming experience in a prime tourist spot in western part of India.

THE CASINO INDUSTRY – AN OVERVIEW

Asia has one of the fastest growing casino industries and was broadly viewed as an attractive destination for casino gaming markets. For quite a long time, the Chinese gamers were the major players in the world. China had a well-organized and well-developed gaming industry, which had enabled it to sustain its position as the world's largest gaming market. As a result, the global gaming industry remains anchored by the inherent value generated by the Chinese gaming market.

Investors and promoters in the Asia-Pacific region gaming industry had impressed with the phenomenal growth. The continued growth had motivated the gaming investors to start looking beyond China. They explored various other attractive locations elsewhere in the Asian market. This subsequently resulted in

expansion into various Asia Pacific markets that included South Korea, Cambodia, Vietnam, Singapore, Sri Lanka, and Philippines.

Recently, India had begun to attract attention of investors to the casino gaming industry. Given the advantages of the lucrative Indian market, investors have started viewing it as a potential source of major/significant demand. In addition, India shared many similarities with China to become the next possible growth market. A few but significant favourable factors like a large and thriving India economy with a huge population, and gaming-friendly consumer habits were perceived to be supportive in building a rich gaming industry. In the past, the Indian gaming clients have always had grievances that they were not suitably served by the existing gaming destinations within the country. As a result, they flew to nearby international gaming terminuses like Macau, Sri Lanka, Nepal and Singapore to play. However, currently, Indian casinos located in Sikkim, Daman and Goa have started attracting gaming investors which could set the stage for high quality gaming experience. The gaming investors have also become sensitive to Indian consumers' needs and have introduced specific gaming products to further lure them.

The Indian market was increasingly becoming consumer driven with a projected increase in spending by 2025. The improving economic prosperity and growing middleclass income have changed the Indian consumer's lifestyle and behaviour considerably. The Indian consumers' needs have grown beyond basic conservative fulfilments like food

¹ Non-Resident Indian

and shelter. Consumer spending have increased along various segments like healthcare, education, personal care and grooming, recreation, leisure entertainment gaming). It could be interpreted based on the Nielsen's Consumer Confidence rating from the third quarter of 2015 that India is at 131 followed by US, Philippines and Indonesia. This trend could be expected to change as the proportion of middle-class citizens continue to increase. According to a recent study by the McKinsey Global Institute (MGI), at the current pace of India's growth, average household incomes will triple over the next two decades. This projected growth will subsequently make India the world's fifth largest consumer economy by 2025, up from the current 12th position it currently holds.

THE MANAGEMENT AT BLUE BELL CASINOS

The working directors Vaz and Braganza were tasked with making strategic decisions and also day-to-day management. They had an extensive work experience in various casinos and were working with the casino Blue Bell since its inception.

Vaz, the chief human resources manager, began his career as a recognized slot operations executive with extensive experience in slot machine strategy. He had mentored and trained many young staffs into slot operation executives who could oversee the casinos' slot machine operation and its offerings. At Blue Bell, he ensured that quality standards were met through proper human resource training. Vaz reinforced values of fairness and morality in his employees, even down to the minute details like interaction and etiquette towards guests visiting the

casino. He stressed on the importance in practicing ethical gaming and also created an ethics charter in his department.

According to him,

“My guest can think that they have lost in the game. It is part of the playing; however, they should not feel that they have been cheated, after all gaming is giving an experience of hope”.

One of the practice was to discourage any guest from playing while the person was intoxicated. All department supervisors, slot attendants, bartenders, cashier, customer service representatives, gaming dealers, chef/cooks and other entry level positions were recruited locally and trained to the industry quality standards. Their performance appraisals were periodically reviewed and lofty bonuses were awarded to outstanding performers. Employees appreciated the culture of the organization which was friendly, protective, collegial and most importantly for them, equal distribution of tips earned. Many of them preferred to stay in the organization for many years without looking for options elsewhere.

Fernandes, VP Marketing, was involved in analysing and evaluating the operational performance of the casino. He had begun his career as a kitchen steward manager and had worked in every department of the casino including the all-important budgeting department. He oversaw marketing and advertising campaign strategies.

Braganza, a certified chartered accountant and company secretary, oversaw all legal, accounts, and financial operations. He also took care of contracts, regulatory compliance matters and other risk management of casino operation.

Other departments such as Security & Surveillance, Information Technology, and Food & Beverage ensured smooth functioning of the casino.

THE CURRENT SCENARIO

The promoters entrusted the business to the working directors and focused on the other ventures; however, the casino working directors were in the view that this business needed continuous hands-on attention particularly additional re-investments from the owners. Introduction of new games was not done since its launch, adding to that, new competitors started entering the market with more attractive features to enhance customer experience.

According to Braganza,

“Competitors were improving slot floor layout, very adept in utilizing technology, and were aggressive in new game offerings to maximize slot revenues subsequently increasing market share. A casino needs to keep its brand value relative to the high net worth individuals to upkeep or improve its earnings”.

The competitors’ spending in advertisement and promotions were intense, while Blue Bell was reluctant. The Marketing Department needed infusion of funds to support outreach and engagement activities to all patrons through direct mailing, advertising, database marketing, event managements, celebrity endorsements, web and digital presence.

According to Vaz,

“running a casino business is very expensive, which needed promoters’ support for more profitable returns; increased ---- foot falls --- in the casino floors keeps the support staffs happy, and they in return earn high tips.”

Fernandes could sense that the competitors spent large sums of money to provide luxurious complimentary to the high-net-worth players in the form of free dining, accommodation and transportation to earn their patronage. He strongly felt Blue Bell needed further investments in upgrading its current operations.

The management felt they were not successful in convincing the promoters to further invest in the casino. They also sensed the promoters had lost interest in this venture. They felt it would be a wise decision to sell the casino while it was operating profitably. They were also of the opinion that they could find more takers while selling it along with the entire human resources. It would be an attractive proposition for any buyer to buy a functioning casino with a well-trained human resources. The promoters were convinced of this; however, they wanted selectively leak this sale information into the market. More importantly, a decision made unilaterally by themselves.

THE DELHI CONSORTIUM

The News about the sale of Blue Bell reached the Delhi Consortium, a business conglomerate, through a regular guest of Casinos. The Delhi Consortium consisted of three partners, Sodhi, Takore and Sait, having major investments in entertainment, event managements, and real estates. They had well-established networks and contacts of the rich and famous of northern India. This motivated them to venture into the gaming industry with an ultimate goal of making huge profits. They had a good database of many topmost gamers from northern India and were sure that they would be successful in getting those high-net worth players to the casino. All the three partners decided to have equal share partnership with equal investments in the casino venture.

In March of 2012, the Delhi consortium agreed to complete the purchase deal of Casino Blue Bell for INR 1 billion. The buyers had to pay the quarter of 1 billion as advance at the time of memorandum of understanding and the remaining amount in three quarters in instalments at the end of every month over a period of three months. Some of the major points in the MOU were:

- a) The sellers wanted the deal to go through without any publicity.
- b) The buyers had to continue the existing ethical practices during the period of the deal, which was of three months.
- c) The buyers and their representatives can enter the casino anytime and observe the operation while having access to every information in all departments; however, they had no direct authority over any management or any staff and were not authorised to make any decisions.
- d) The buyer had to retain each and every staff and management that are currently employed. Most of the staff and management of Blue Bell Casino were employed since its inception and this job was the only source of income, and their families were completely dependent on them.

The major conditions from the buyer were as follows:

- a) They wanted free entry to the entire guest which they would bring over this period of three months.
- b) They would continue using the same name ie “Blue Bell Casino”, as it was well-built as a brand. All the licences would also remain in the same casino name, only the owners name would change after completion of the final instalment.

- c) The buyers wanted to learn from the existing management all the smallest details in the operations of the casino, and the management should also unconditionally cooperate in giving them all the details when they required.

THE PERIOD OF THE DEAL

The Delhi Consortium went ahead and signed the Memorandum of Understanding by paying the advance sum as agreed by the Promoters in April of 2012. The Letter of Intent was signed between the two parties and an escrow account was opened for the transaction. The promoters insisted the senior management team not to inform the remaining staff about the sale until the pending the payments are cleared by the consortium. They informed the senior management to instruct the managers and the staffs of casino to cooperate and provide whatever information the acquiring team would demand for. The senior management was also informed that they could continue to work as they were working under the existing promoters; however, the promoters did not prefer to disclose the other conditions regarding the deal to the senior management. On receiving these instructions, the working directors were in ambiguity over the deals; nevertheless, they trusted their promoters and hoped that the deal will move smoothly.

In May of 2012, the Delhi Consortium moved into managing the business and in the beginning vast majority of guests inside the casino were invitees of Consortium members. The numbers of guest on board were more than 400 each day, the majority being high-net worth players. Meanwhile, employees started hearing rumours from guests that the

casino was sold to the consortium, which was currently managing it. Sensing the uncertainty prevailing among the employees, the senior management informally announced that the deal was a “work-in-progress”; however, it had not been finalised yet. They also mentioned that the promoters had given the acquiring team a three months’ time to complete the deal. They assured them that their jobs were secured and that they can continue to work as they were working under the existing promoters.

DEVIATIONS IN THE BEHAVIOUR

Two weeks subsequent to the takeover, the Delhi consortium and their representatives began spreading information to the staff that they had already bought the casino and that they were the new owners of the casino. On several occasions, they even told the staff that they had full control over the operations of the casino. The consortium member's demeanour inside the casino also made the employees believe that they were the new owners.

However, some of their behaviours and practices surprised the staffs and the senior executives. For instance, the consortium members kept watching certain high-net worth guests playing patterns and their moves in their gaming table. It was against the house gaming rules. Secondly, they frequently borrowed from the Cash Department to play in credit. Members of the Delhi consortium frequently gambled by taking credit from the cashier, encashed the prize money whenever they won but whenever they lost their bets they did not pay for the credit. This led to discrepancies in the closing tallies as they did not refund the money that they borrowed from the cashier. When this borrowing behaviour started, the cashier was under the impression that probably the consortium members were allowed to do

so as they were supposed to be the new owners. At times, the consortium members did not agree with the Accounts Department to sign on the vouchers as an evidence for their borrowings. On noticing these deviation, Braganza verified the consortium members whether they were allowed to do so, they confirmed “yes” in full confidence; however, he informed the cash department to keep account of the outstanding due on record.

The normal practice in Blue Bell was that only if guests played above INR 1 million were they entitled for the premium liquor beverage brands; however, consortium members instructed the Food and Beverage manager that all guests who were invited by the consortium would get premium liquor beverage brands which would be served unlimited to them. This instruction also included guests who were average players in terms of net worth. On knowing these irregularities, Braganza instructed the Food and Beverage Department to keep account of the drinks served to these average players and also to remind the consortium members about the casino’s beverage policy. The Consortium was reminded about the policy through a communication; however, they insisted that beverage be served to the low-end players. Although this practice went on for a month, at the end of the month the Food and Beverage manager submitted a bill to the consortium. On receiving the bill, the consortium members refused to settle the bill and insisted that owners were not supposed to pay any bills and that it can be deducted from the revenue. While at the same time, quite a few hotel bookings and flight bookings made by Delhi consortium for its guests were paid by the Casino which amounted half a million INR. At the end of the month, when this bill was presented to the Delhi consortium, they again debated that they

were owners and subsequently instructed the casino to deduct it from their revenue.

Braganza kept Vaz informed about all deviant behaviours of the consortium members. They initiated an investigation secretly and could find through the managers that the consortium borrowed money to support its guest from Delhi. They also discovered that many of the guests actually were consortium's own people who were acting as guests and playing taking credit from the casino with the Delhi consortiums' approvals. If they won, they encashed but if they lost, then Consortium negotiated that it would pay the outstanding at a later period. Braganza and Vaz sensed that the consortium borrowed money from the casino and earned through its guest for paying its instalments.

In the investigation, the most shocking revelation for Vaz was that the consortium had bribed the casino dealers, who operated the live table games, to help them win. In return, the casino dealers² were promised lofty tips and even assurance of promotions at a later stage. The consortium members had also threatened certain managers and dealers who disobeyed their request that they would be terminated if their instructions were not followed.

Vaz and Braganza were concerned about these irregularities and planned to bring it to the notice of the promoters. They could see the entire system in the brink of failure. It was a challenge to build and maintain the employee culture in a casino

environment. Vaz was worried to notice the employees' attitudes getting deviated in moral grounds. He had invested his considerable time and energy to build employee values. At this juncture, if he does not contain the emerging deviant practices, he strongly felt even the employees staying at the fringes of morality can be easily lured into unethical practices. Vaz was apprehensive about the Delhi Consortium members' values and practices. He was afraid to imagine that they could be future leaders of this organization after the takeover.

Vaz and the rest of the senior leadership team decided to report to the casino Blue Bell promoters about the issues. Vaz sent a mail requesting them for an appointment to discuss about the emerging crisis at the casino. While waiting for their reply, Vaz was contemplating the entire situation, attempting to analyse where it had gone all wrong and wondering whether his organization can sustain over this change of leadership and its practices?

² They conduct various games such roulette, cards, dice by all rules and regulations; they engage in collect winnings or collect losing bets as established by the rules and procedures of a specific game.

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