Chapter 7

Conclusion and Recommendation
CONCLUSION AND RECOMMENDATION

Industrial sickness is one of the serious maladies of Indian economy. In recent years, even though there has been a spurt in the economic growth in our country, few domestic companies have taken over the foreign companies through mergers or acquisitions. Still, many other organizations especially public sector units are still in the grip of sickness. Various reasons such as non-viable projects, mis-management at the unit level, labour unrest, leadership issues, shortage of energy and raw-material supplies, unsuitable product mix, shortage of funds, technological obsolescence, external market forces and a lot of competition etc. have often been advanced as background factors contributing to industrial sickness in India (Chakraborty and Dixit, 1992).

The growing sickness, low capacity utilization and inadequate performance of a large number of industries has been a matter of concern to the Govt., owners, professional managers, trade unions and the public at large. At the same time, the industrial environment has been undergoing a rapid change owing to large scale advancements, increasing competition and consumer awareness, greater emphasis on human resource development and economic progress. The economic liberalization policies of the Govt. coupled with the entry of multinational companies has lead to increasing competition which will leave little scope for camouflaging the inefficient companies. The need for research on turnaround management is thus obvious. Turnaround management is of strategic importance to the small scale industrial units, and public sector undertaking since they are more prone to sickness than large units in the private sector (Panchali, 2005). The emphasis has to be on the replicability of the experience of a few successful cases to the large number of sick companies which have, for one reason or the other remained so.

The present research was undertaken with following objectives viz:

1. To find out the triggers that initiated the turnaround process.
2. To study the dimensions of managerial response to turnaround process.
3. To study the various HR interventions taken as part of the turnaround process of RSP.
4. To find out the effectiveness of HR initiatives in turnaround process of RSP.
5. To suggest a new model of HR interventions in turnaround process of any steel industry with reference to RSP.

The study design includes the hypothesis for research corresponding to first four objectives. Those hypotheses were:

**H1:** Bad public image of the company was the most important trigger for initiating turnaround at RSP.

**H2:** Managers score high on adequacy factor in comparison to other factors in responding to the problems during turnaround.

**H3:** Contribution of HR interventions to turnaround is significant.

**H4:** Sustainability of HR interventions post turnaround is significant.

The hypotheses were studied and tested properly to justify the objectives of the present study. Based on findings of the research study and in consonance with the fifth objective a conceptual model was developed on using HR Interventions for bringing turnaround in any organization with special reference to steel industry. This chapter summarizes the findings and develops a conceptual framework based on the study. It also gives recommendations based on the study and suggests directions for future research. A summary of the study is presented below:

### 7.1 SUMMARY OF FINDINGS

#### 7.1.1 Respondents’ Profile

The sample of study includes 233 executives as respondents to the structured questionnaire used for primary data collection. Besides, personal interviews were held
with key officials who provided specific directions to the study and supplied relevant secondary information regarding turnaround and to decide the triggers of turnaround.

(i) The respondents were drawn from three categories of the executives i.e., junior, middle and senior levels. Further, the respondents were well represented from six functional groups i.e., Operations, Maintenance, Technical services, Finance, HR/HRD and Administration. The respondents were also well represented across different age groups viz. 26-35, 36-45, 46-55, and above 55 years.

- Maximum (29.2%) of respondents were in the age group of 46-55 years.
- Most of the respondents (56%) of RSP were graduates followed by professional degree holders.
- Most of the respondents were experienced and had sufficient knowledge and experience of turnaround interventions as (34%) of them had work experience within a range of 29-34 years.
- Maximum respondents (56%) were found to have worked in their current positions for 3-5 years.

7.1.2 Reasons for Decline

As per the perception of the respondents, following are the reasons or factors leading to decline in RSP:

- Internal factors: Factors which were operating inside RSP and were within its control. Low profitability was the most serious problem followed by inefficient operation and underutilization of asset leading to the decline of RSP.
- External factors: Factors which were operating outside RSP and were not within its control. These factors included low consumption of steel worldwide, fierce competition between producers of steel and dumping of steel by CIS countries.
- Factors included in the ‘Others’ category was high cost, low quality of steel bad work culture etc. Though RSP was affected by these factors these were perceived as less important to the cause of decline as compared to the above mentioned three internal factors.
- Cause of low profitability as perceived by majority of respondents is: Financial
Crunch due to Modernization.

7.1.3 Triggers that Initiated Turnaround

The main triggers of turnaround as perceived by the respondents in order of priority are:

- Huge Financial Losses
- Low return on assets
- Bad public image of company
- High employee turnover
- “Others reasons” included factors such as other stakeholders i.e. banks, insurance, creditors etc.

7.1.4 Management Response to the Problems in RSP during Turnaround Process

- Most of the respondents (64%) were of the view that the top management of RSP was highly responsive to the problems arising during the turnaround.
- They are also of the view that managers paid due importance to spontaneity followed by consistency and adequacy factors in supporting the turnaround process.

7.1.5 Top Management Initiatives to bring Turnaround

Initiatives taken by the top management of RSP as perceived by the respondents are as follows:

- Introduced HR Interventions for Turnaround
- Reoriented Personnel on New Work Expectations
- Sold Non-Performing Assets for Turnaround

7.1.6 Contributions of HR Interventions

Role of HR Interventions in bringing transformation as perceived by the respondents in order of priority are as follows:

- Enhanced Employees Commitment
• Improved Efficiency and Productivity
• Improved Organizational Culture

7.1.7 Effective HR Interventions

The HR Interventions which were used in bringing turnaround as perceived by the respondents in order of their effectiveness are as follows:
• MD's Mass Contact Exercise
• New Reward Schemes
• Performance Improvement Workshops

7.1.8 Aspects of Change after Turnaround

• Structure: The structure became decentralized.
• Systems: New systems and procedures have been put in place.
• Skills of employees: There was significant improvement in the skills of employees especially in the area of Basic Engineering and specific Equipments.
• Shared Values: There was high positive work attitude throughout the organization.
• Staff Retention: There was rightsizing of the manpower.
• Strategy: The strategies adopted were more effective.
• Managerial Style: There was change from transactional leadership to transformational leadership.
• Management Control: Management control was adequate.
• Communication: More openness in communication between Management and employees.
• Management’s Commitment: Responsible officials and personnel are aware of the problems and committed to address them.
7.1.9 Factors for Sustaining the Profitability of RSP

**Factor 1 Regenerating Strength with People**
- Employees' commitment to the organization
- Improving managerial skills
- Willingness of learning/innovating
- Employee relations

**Factor 2 Organizational Credibility**
- Efforts to improve the image of the company.
- Enhancement of Technical knowledge and skill of employees.

7.2 CONCLUSION

The study was undertaken to study the HR perspective of turnaround management in RSP. Four main objectives were taken for the purpose. These objectives were to find out the triggers that initiated the turnaround process, to study the dimensions of managerial response to turnaround process, to study the various HR interventions taken as part of the turnaround and to find out the effectiveness of HR initiatives in turnaround process of RSP. The study design also included the four hypotheses for testing corresponding to those objectives. The detailed study was made to gather data with reference to stated hypotheses which were tested properly to justify the set objectives. Out of the four hypotheses the first two were rejected and the last two on HR Interventions were accepted. The first hypothesis was rejected as the most important trigger was the huge financial losses and not the bad public image of the company for initiating turnaround as was proposed. The other triggers were low return on assets, bad public image of company, high employee turnover and other reasons which included factors such as other stakeholders i.e. banks, insurance, creditors etc. The second hypothesis was also rejected as managers scored high on responsiveness factor and not on adequacy factor in comparison to other factors in responding to the problems during turnaround. The other factors were consistency and spontaneity. However, the third hypothesis was accepted as the contribution of HR interventions to
turnaround was significant. These interventions helped in enhancing employees’ commitment, improving efficiency and productivity and developing a positive organizational culture. Similarly, the fourth hypothesis was also accepted as sustainability of HR interventions post turnaround was significant.

**Conceptual Model of HR Interventions**

The entire turnaround process of RSP could be put in four stages i.e., decline, response initiation, transition and outcome based on stage theory of turnaround (Chowdhury, 2002).

![Figure 7.1 Turnaround Stages of RSP in terms of Profit / Loss](image)

Based on the research study and in consonance with the fifth objective a conceptual model is developed on using HR Interventions for bringing turnaround in any organization with special reference to steel industry (Figure 7.2). The suggested model
may be useful for any steel industry in India especially the ones similar to Rourkela Steel Plant.

This model can be called CWEP model of turnaround which constitutes Four Pillars i.e. Communication, Work culture, Empowerment and Performance Excellence (CWEP). These four pillars are required not only in bringing a firm into a profitable stage from declining stage which threatens the very survival of the plant, but also for sustaining organizational growth.

The communication pillar consisting of various HR initiatives helped in communicating priorities and the performance of the plant, in eliciting commitment of the employees and better leadership practice. Once the priorities were communicated and appropriate leadership style practiced the employees themselves became more committed and goal oriented.

The second pillar of the turnaround focused on work culture by initiating HR interventions on enhancement of congenial work culture. For example, employee reforms named Samskar at RSP, initiatives for peaceful work environment and generating positive spirit amongst employees was taken to make the plant a good place to work for.

The third pillar empowerment was based on inculcating initiative i.e. creativity and enhancing team work in different departments.

The forth pillar of turnaround performance excellence was based on enhancing performance in every area through reducing accidents, reducing cost and improving quality in every aspect. The axiom here was “doing right first time and every time”.

All the pillars of turnaround contributed to reduction in industrial conflicts, development of mutual trust amongst employees and management, high motivation, productivity enhancement and improvement in employee satisfaction. These all synergistically can go a long way in contributing to the turnaround of sick industries specifically the steel industry.
Figure 7.2 A Conceptual Model Developed
7.3 RECOMMENDATIONS

a) HR Initiatives Should be Central to any Turnaround Strategy

Turnaround strategies of organizations are generally prepared with a view to achieve financial rejuvenation, reinforcing the customer-base, improving product portfolio, organizational restructuring, process/technological improvement etc. HR interventions are normally accorded low priority in both thought and action of the top management and strategists. Seldom is a turnaround strategy formulated keeping HR focus at the centre and integrating the same with financial, marketing and operational plans. This often leads to HR issues like motivation of the employees, compensation plans, exit options etc. getting sidelined. In this scenario, the organization ultimately fails to realize its turnaround strategy effectively as the employees who are entrusted with the task of achieving financial, marketing or operational targets are not on board fully. The RSP experience suggests that taking employees along from the very beginning helps get the employees’ buy-in for the turnaround strategy and facilitates in achieving the turnaround successfully.

b) Direct And Consistent Communication With Employees At Various Levels

Organizations must develop a strong channel of direct and constant communication with their employees. Communication is useful for an organization at all times to involve its employees with various facets of an organization’s management. However, in difficult and challenging times it is an absolute must. Effective communication not only involves a large segment of employees in the turnaround process but also allays employees’ fears and apprehensions about their future. Communication if done properly and sincerely earns the trust and respect of the employees which is a critical asset for the management during the period of crisis. In RSP, the multi-pronged communication exercises initiated and sustained by the management under the stewardship of its CEO was instrumental in achieving the challenging targets of the turnaround process. Hence management must not neglect communication during the turnaround process; rather it should be adopted as a strategic tool.
c) **Key Role of Leadership**

Leadership plays a key role in helping an organization successfully achieve a turnaround. While the turnaround process is a time-taking one involving a large team of managers and experts from various streams and ably supported by the workforce, it is the CEO who has a pivotal role to play in formulating the right strategy and implementing it successfully. During turnaround, the transformational and charismatic leadership can inspire the employees by reaching not just at the rational or logical level but also at their emotional level. RSP experienced the same under Dr. Sanak Mishra during its tough times and the entire workforce responded positively to it and created a revolution to turn around the fortunes of the organization. This is a pointer to other organizations seeking to achieve turnaround.

### 7.4 DIRECTIONS FOR FUTURE RESEARCH

- Similar research on turnaround can be undertaken in other organizations in both public and private sectors to further strengthen the findings of this research and making them more generalizable.
- The conceptual model proposed by the researcher can be validated through empirical studies on the HR perspective of turnaround.
- As this study focuses on HR Interventions in Turnaround in RSP, other areas of turnaround are not studied in detail. Therefore, more research studies can be made in the areas like strategic issues and leadership in organizational transformation in both public and private sector both in India and other countries.

### 7.5 LIMITATIONS OF THE STUDY

The study has a few limitations. Firstly, the cross-sectional nature of the survey approach adopted for this study led to an impediment in the establishment of causation. Secondly, the focus of the current study was by design restricted to only executives, and has thus limited the generalizability of its findings when taking into account the perception of all employees. Moreover, the study being a case study has its limitation for generalization.