CHAPTER-VIII

CHANGE MANAGEMENT: THRUST AREAS IN SAIL

8.1 INTRODUCTION:

A careful study of the growth and development of the company, initiatives taken by the management, and data collected from its stakeholders indicate significant points regarding the success of the process undertaken by the company to manage change. It also raises crucial questions with respect to the company’s ability to decipher its environment, decide about a strategic posture and energize strategic change. The series of efforts made by the company to mobilize for action, reinvent a structure and reshape corporate culture that could carve out a future for itself, speaks volumes of the extent to which it affected the destiny of a company in a competitive environment, its position in the industry and its future.

If we go by the definition of change management as ability of a company to foresee the impending threats of the changing business environment and respond to its forces effectively for achieving its pre-determined goals, the company achieved only mixed success. The twin goals of developing the national economy and undertake social responsibility were achieved, but as the focus was less on business, it was able to foresee the future threats quite clearly in the latter years. After the company underwent transition in 1973, there were indications to achieve business results also. During mid eighties, new initiatives were undertaken to revitalize the company and preparing it to meet the imminent threats from the environment. However, they could not bring about the desired change and the company could not cope with competition successfully.

8.2 INTERPRETATION OF DATA:

The data collected to study the management of change in a public sector company in a competitive market provides striking insights into the factors, which influenced the change
process. If we try to crystallize the data, we get a clear picture of the major areas of concern hindered the process of change in the company under study. The data collected and analyzed in the previous chapters will be interpreted under the following three basic heads:

1. Basic Thrust Areas
2. Major Areas of Concerns
3. The Vital Issues

8.2.1 Basic Thrust Areas:

All management initiatives as indicated in corporate documents (chapter-5 section-5.15) point out the following factors as the major thrust areas for managing change. These factors are given below:

- Technology/ Productivity
- Finance and Budgetary control
- Organizational Restructuring
- Customer Orientation
- Work Culture

8.2.1.1 Technology/ Productivity: It was felt that achieving higher level of production was not enough. It was essential to set standards of productivity, quality and economy of operations. Upgradation of existing technology and increase in productivity was thus one of the major concerns of the company. Emphasis was given to maintaining operational consistency and harnessing captive resources and it was decided to use installed facilities fully. It was also felt that there was need to give attention towards the quality of raw material, maintain technological discipline and adhere to the accepted process control procedure. The input costs and wage levels were to be controlled. Research and development was considered necessary to keep pace with the changing technology and ongoing modernisation of steel plants. Productivity could be increased also through efforts in the areas of energy conservation, proper
inventory management and value engineering. It was also understood that productivity of all resources—material, machines and money—ultimately would depend upon the employees of the organization. The competence of manpower must therefore be enhanced through adequate training, redeployment and discipline.

It is however interesting to note that the management identified productivity as a thrust area only during the initial years (1986 to 1988). After two years, this important area did not find a place in corporate interventions for a long time. After a lapse of eight years only did the management think of considering productivity once again as an important factor for company growth. Exclusion of productivity as a critical parameter from the corporate agenda had a disastrous effect in the company in the years that followed.

8.2.1.2 Finance and Budgetary control: The area of finance and budgetary control also got importance during the management interventions in 1986. It was thought that the company must adapt to the philosophy of generating profits through control of costs. Since adjustment of prices was outside the purview of the company, cost control was considered to be affected through controlling most of the operational costs. Any increase in the costs of other inputs like raw material, wages, salaries and overheads, was to be absorbed by the company through higher levels of production and productivity. This was thought to help all plants to maintain a satisfactory level of profit. It was therefore decided that cost control measures would be as follows:

- Improvement in the product mix
- Higher inter-plant transfers of stocks
- Improvement in techno-economics particularly in energy consumption
- Optimization of production thereby reducing purchase from outside sources
- Improvement in labour productivity
- Control in overheads, in particular, overtime and demurrage.
It was considered essential to control cost through value engineering, repair and maintenance, better waste management etc. It was observed that budgets for production as well as expenditure were only based on past trends. Neither did these physical targets reflect capacities and potential available nor were the budgets zero based. It was therefore decided that budgets were to be planned well in advance of the start of the financial year. Budgets were to be worked out for each shop, each department and then collated for the plant as a whole. It was also considered necessary to provide system for mid-course monitoring and correction in case of necessity.

The management of investments also seemed important by the company. In situation of scarce financial resource, its allocation amongst projects in a manner that yields maximum benefits to the company was assumed to be of great significance. To meet the gap between the internal resources and capital expenditure, there was a need to tap domestic and foreign markets so that it is possible to fund projects through most optimal mix of resources, which would minimize financing costs.

Working capital management also assumed significance in this context (chapter-5, section 5.15). Working capital was basically money required for current transactions and better management in this area would call for greater control on cash outflows. Materials accounted for the bulk of the working capital requirement. A careful management of the above would reap results. Non moving items needed to be identified and those in surplus disposed off quickly.

Inspite of such valid reasons to adhere to, finance and budgetary control was not considered important any more after 1988 and was underplayed in all subsequent corporate interventions. It is intriguing to observe that this vital facet of running business i.e. finance management lost its importance all through the corporate decision making process thereafter.
8.2.1.3 **Organizational Restructuring:** The element of organizational restructuring assumed sporadic importance in the ten years of corporate initiatives. It attracted attention of the management in 1988, 1993, and during 1994-95. In 1988, the management thought that steps hitherto taken to restructure the organization and reduce the number of reporting levels had limited impact. Though meant to cut red tape and provide better professional opportunities to all, it could not yield the desired result. It was felt that there was a need to review systems and processes like communication, delegation, and decision-making and information flow so that they might help in bringing about the desired organizational change. It was however felt that strengthening the structure by itself was not enough. There had to be commitment to the purpose. It was expected that every employee would give his best to the organization. The initiative seemed forgotten or ignored in the subsequent years. It was restated again in 1993 wherein it was said that the existing structure was not sufficient to meet the challenges of the business environment. There were still many layers of reporting and segmented operations were isolating the implementers from the decision-makers. Fast and qualitative sound decisions were imperative in a competitive market, and for this the company needed a trim and flexible organization structure.

Surprisingly, corporate thinking about restructuring again took the back seat in the following year and surfaced once again during 1995-1996. It was still considered necessary to have fewer layers and shorter chains, for ensuring faster response to the customer needs. It was also considered necessary that the structure must provide for clear accountability for results and ensure smooth flow of work rather than create hurdles in performance. A number of areas were identified for streamlining the structure and better results. In the subsequent year, it was once again observed that the systems and structure of the company needed to be re-tuned to the needs of the time and many points were suggested in that direction. What is appalling is the manner in which this important facet of management was handled.
The observations of the management with respect to corporate restructuring and altering systems and processes to provide enhanced customer satisfaction were identified as important elements. However, no serious effort seem to have been done to respond to it. These decisions seemed to be half-hearted attempts and devoid of any conviction. Perhaps this was the reason why the issues with respect to this important factor persisted even after decisions by the top management of the company in this respect. More than weakness in its implementation, the major drawback seemed to lie in the management’s concern for streamlining the systems and procedures and restructuring all for the vital goal of customer satisfaction. The missing links in corporate endeavour towards this could also be attributed to the below mentioned cause.

8.2.1.4 Customer Orientation: As indicated by data given in chapter-7, section 7.5.1, customer satisfaction was one area, which was identified as a thrust area all through the corporate endeavours to manage change. As a concept or perhaps as an essential pre-requisite, this aspect assumed great importance and endeavours were made to take concrete steps in this direction. The need to identify the needs of customers and fulfil them adequately was a growing concern for the company. Growing complacency resulting from operating for long years in sellers market was noticed and it was understood that the only way to outgrow the growing competition was to reorient the company as a truly commercial marketing organization. To that effect, areas were identified like the need to generate steel demand, committed delivery, product quality, stockyard development and efficient customer service. In the subsequent years also efforts were made to provide timely supplies, good customer relations, frequent interaction between shop-floor personnel and customers.

It was in 1995 that the aspect of customer satisfaction regained significant thrust. It was here that customer satisfaction became an important element of organizational work culture. Management’s efforts made in the preceding years had little impact and customer satisfaction still remained a distant dream. If customer satisfaction were to be an effect of the seven “C”s
postulated by the company's management in its document "Achieving Leadership in Customer Satisfaction" published in April '94, and elaborated earlier in the thesis, it seemed that the company was unable to satisfy its customers. The perceptions drawn from surveys conducted in 1994 indicated that there was a gap in the perception of the customers and those of the employees on these elements of satisfaction. Consequently, efforts were initiated to strengthen the culture to bring about a total customer orientation throughout the company.

These efforts also fell short of expectations and as subsequently surveys indicated, customer satisfaction, though improved marginally, still seemed to be a distant cry. It was therefore decided by the management that five critical areas of customer satisfaction were to be benchmarked. These areas namely- consistent quality, committed delivery, customized product mix, contemporary products and culture of customer service, were to be the thrust areas in all activities of the company.

The performance of the company indicated that the company was finding it increasingly difficult to retain its position in the market in view of the intensifying competition. The fundamental reason for this setback could be attributed to the inability of the company to perceive the changing needs of the customers and respond to it adequately. This could be due to lack of appreciation of the market realities, inadequate preparedness of the sales force to face the changing market or perhaps lack of careful planning, inadequate discipline, lack of killer instinct, and poor implementation and control. One thing, which is clear, was that the message that was reiterated time and again by the management to reorient towards customers and their satisfaction was unheeded. This again could be due to less commitment of the senior management, ineffective systems and procedures, or perhaps a discordant work culture that proved detrimental to the achievement of the desired results.
8.2.1.5 Work Culture: The need to have a conducive work culture to propel the organization towards the desired results also had periodic interjections in management’s quest to manage change. It was felt strongly by the company during the period 1986 to 1993, and again in 1995, that a strong positive culture was essential in the company for achieving good results. However, in the years that followed the need to reinforce the culture in the company was ignored and thrust was given to on the mechanics of marketing only. The total thrust was placed towards marketing efforts and steps to make customers happy, ignoring the fundamental fact that excellent value to customers was possible only if the organizational culture was very positive and directed towards making the company customer oriented. Thus, in its zest to bring about customer orientation in the company and gear up to meet the rising expectations of the customers, management undermined the need of having a strong culture to make it happen. Also, more energy was spent on the mechanics of achieving more productivity and growth, rather than making the company work like a living organism that would sustain beyond the present crises and assume a corporate health that is devoid of work stress, endless struggle for power and control and cynicism resulting from a work environment that stifles rather than releases human imagination, energy and commitment.

However, the performance of the company indicate that all these efforts fell short of sustaining the company in the wake of increasing competition and certain issues of vital importance remained the points of disturbance in the company. These major issues, which hindered the company’s change efforts to a large extent and influenced its performance, are presented below.

8.2.2 Major Areas of Concern:

A number of important issues emerge from the above analysis that deserve careful attention. It is beyond doubt that the company did sense the impending perils of the future
business and the pressures of competition. It could also realize the need to formulate appropriate strategies to combat the same. The management did also identify areas of concern and formulated strategies to overcome them. Based on the data analyzed in chapter-7, it looked clear that a number of areas were either left unaddressed or were not addressed adequately. It had serious repercussions in the subsequent years. These areas, as per the ranking, could be stated as below:

1. Disharmony with the Environment
2. Unclear Strategic Focus
3. Frequent Shift in Priorities
4. Lack of Concern for Productivity
5. Ineffective Financial Management
6. Bureaucratic Systems and Procedures
7. Fragile Work Culture
8. Failing to Learn from Experience
9. The Government Interference
10. Ineffective Senior Management
11. Ineffective leadership
12. Technocratic Culture
13. Huge Manpower
14. Inertia and indifference

8.2.2.1 Disharmony with the Environment: Though the company seemed sensitive to the fast changing environment, the employees were unable to appreciate the imminent danger they
were going to face in the near future (chapter-7 section-7.6.1). The good operating results did not reflect the static organizational behaviour that plagued the organization. It was also observed that the company was unable to establish harmony with its outside world. The survey details of employees, customers and suppliers given in chapter-7 testify this fact. Though the company had some idea of intensifying competition, it could not appreciate the expectations of the market. The customers have clearly stated in the surveys that company’s market leadership rested upon the ability to deliver a quality, prices, and services that is the best in the industry. It also demanded adherence to commitment and an understanding and sensitivity as to the changing explicit and implicit customer needs. However, the company was unable to deliver any as per the market expectation. It has been reiterated by customers in all the three surveys (chapter-7 section-7.5.1) about the inadequacy of the company to understand and meet their explicit as well as implicit demands and this was the principal reason that affected its competitiveness in the marketplace. It is indicated from the survey that there is still a need to understand competitiveness of the environment and respond by formulating appropriate strategies with respect to the optimum blending of all the elements of the marketing mix. It also indicates that lack of sensitivity on the part of company and its slow speed of response hindered its competitiveness further. This was not only the perception of customers but were indicated by suppliers also who believed that at best the company was moderately successful, and at worst thriving on its indispensability. As a sequel to its perception of the impending competition as captured in the surveys of employees, actions that were taken and implemented were unfocussed and insufficient to meet the urgent needs of the market. Also, the interventions that were initiated did not last long to produce the desired results. This resulted in disillusionment, dissatisfaction, apathy and indifference amongst employees to a great degree.

8.2.2.2 Unclear Strategic Focus: The strategies initiated by the company in the past decade (chapter-5 section-5.15) lacked focus and a definite direction that could respond to the threats
that the company was facing from within or from outside. Neither was it integrated with management of resources. The management seemed either ignorant to the intensity of the pressures of the market or was not concerned about it. Perhaps the employees were not willing to accept the fact that the company was no more in the sellers’ market and if it wanted to survive it had to find a new equilibrium by adapting to the changing requirements of the customers. The initiatives that management took in the ten year period speaks volumes for it. It looks as if efforts were not made conscientiously in the identified areas and hence were not adequate. The performance of the company during this period and the strengths and weaknesses that in due course came to the forth reinforce the above contention.

8.2.2.3 Frequent Shift in Priorities: A meticulous study of the corporate initiatives over a period of ten years i.e. from 1984-85 to 1995-96 as has been analyzed earlier in chapter-5 section-5.15 clearly exhibit that there was frequent shifts of priorities in the formulation of strategic initiatives. These initiatives were neither sufficient nor were they sustained. These sporadic shift in priorities diluted the thrust on the key areas and left the employees totally disillusioned regarding the course that the company intended to take. At the same time, it was unable to create an impact in the market that is essential for any company which desires to take the drivers seat. It was pointed out by the top management from the very beginning that the steel industry was shifting from a sellers’ market to that of a buyers’ market and under this situation, the need to satisfy customer would be of prime importance. Management also continuously emphasized the need to concentrate upon strengthening the elements of their marketing mix. But the extent intensity of the threat was not appreciated and it resulted in a lack of sustained strategic focus in the corporate interventions.

8.2.2.4 Lack of Concern for Productivity: Productivity was not considered a matter of prime concern in the company procedures taking prominence rather than the output. As has already been seen, barring one plant, productivity was not always very encouraging. If productivity is
considered the result having maximum output from minimum resources and has a direct bearing on company's growth and competitive edge, it is strange to note that this aspect, though identified as important, was not given enough attention in corporate deliberations during 1993-1995 (chapter-5 section-5.15). Many reasons were attributed to this aspect of corporate functioning. The important factors were the bureaucratic approach of managers, inadequate planning, less commitment to the task by concerned employees and improper direction and control of activities. Also, more significance was given to the process rather than results and accountability for non-performance. Strangely, employees felt that reasons for low productivity was due to unprofessional approach of senior managers, dearth of mutual trust, commitment, control systems and cohesion in the company (chapter-7 section-7.6.2).

8.2.2.5 Ineffective Financial Management: Fifthly, the company was unable to consider achieving profit an important task. Hence little attention was paid to the vital aspect of budgetary control (chapter-7 section-7.5). There have been talks of diversification only twice in ten years. There have been some limited actions in this area like partnership in computer software technology with a foreign firm. The company seemed confident of its core competency in steel making and thought that it would pull it through the rough times and would sustain for years. Data also indicates failure on the part of company to visualize the future threats clearly where diversification could show them a way to grow. This indicates weakness in long term strategic planning on the part of management. Industrial relations, which were not very friendly, did not get enough weightage in corporate deliberations.

As regards financial management, the company was less judicious. The company was not able to foresee the future and appreciate the fact that having money in hand gave it flexibility and independence of action and it could pursue options that their competitors could not and that it could grasp opportunities more easily. The large sum of money invested in modernisation of
over 20,000 crores and consequent interest burden of around 2000 crores annually is one of the principle reasons for company’s not so impressive performance.

8.2.2.6 Bureaucratic Systems and Procedures: Sixthly, there had also been limited talks on modifying systems and structure, which, as surveys indicate, were considered significant in managing change in a public sector steel company of a gigantic size (chapter-7 section-7.4 & 7.6.6). It has been observed that the most significant obstruction in running the company came from outdated cumbersome procedures and systems, which were a legacy of the bureaucratic past experience of the people who worked in the early period of the company’s existence.

The rigid systems and procedures created hurdles in company’s growth. It is evident from the findings that systems and structure were often not in congruence with the corporate strategies. Many rules and procedures framed in the control era still continued; organizational hierarchy had more layers than needed and diluted fast implementation of decisions; and monitoring was also insufficient. It was felt that each system, process, procedure and action could be based on the core values of the organization. Also activities needed to have a competitive focus and systems and capabilities could be built in such a manner so that competitive proposals and projects in identified areas could be evolved through quick clearances and implemented. It was also observed that the procedures needed flexibility, there was hardly any system for recognition of good work, and open feedback system for identifying and changing redundant and obsolete practices, procedures and systems was missing. It was also observed that in the prevailing system, procedures seemed more important than outcomes.

8.2.2.7 Fragile Work Culture: Survey indicated that the company’s work culture was not conducive to achieving results in a competitive market and hence needed to be fortified if the company had to have advantage in a competitive market (chapter-7 section-7.6.4, 7.6.7 & 7.6.8). The need to satisfy customers was also recognized. Though the company came to be
aware in 1994 through an extensive survey done by an external agency that work culture still
was not good enough, the issue was not addressed adequately and came up only once during
the 1995 corporate intervention. It seemed overlooked after that and in the survey of existing
work culture referred in the preceding chapter, it was proved that lot of gaps still existed in the
area of culture prevailing in the company. Lesser sensitivity for the needs of the customers,
belongingness to the organization, a sense of ownership and pride for the company still lacked
and this was one of the very important reasons for the company’s limited success in the
competitive marketplace. No matter how diversified they were, employees and even the
suppliers, at times felt that they were not part of one entity. They had their own agenda to
fulfill and their own missions to accomplish. These agenda and missions were often divergent
form those of the company and hence created disharmony. Their inability to identify with the
company and inculcate a sense of belongingness could be related with all the factors mentioned
above, and proved detrimental to the company’s competitiveness.

8.2.2.8 Failing to Learn from Experience: Data given in chapter-7 section-7.6.8 indicates
that the company was not able to learn from its past experience. It could not also surmount
obstructions that prevented it from learning from its present. It could not appreciate that the
twin policies of managing for profits and maximizing shareholders’ value at the expense of
corporate longevity were vestigial management traditions. That it no longer reflected the
imperatives of the world it lived in today was not understood. The significant learning points
that emerge point out that companies are successful if they are able to learn from their
experiences; understand the environmental forces; and seize opportunities if they must develop
and sustain competitive advantage.

8.2.2.9 Ineffective leadership: Another important factor that was overlooked was the need to
have an able leadership not only at the helm of affairs but also at all levels of the organization
(chapter-7 section-7.6.5). The uncongenial boss-subordinate relationship, less effective
teamwork, non-compatibility, absence of commitment, and low morale, all speak of less effective leadership in the organization. This was one of the reasons for company's not so impressive show in 1996 and after. Perhaps the leadership was unable to focus to bring about the revolution that we call managing change.

It is clear that though intentions of the leadership seemed pious, it lacked the necessary foresight towards formulation and implementation of their strategies. The leadership was not able to decipher the environment well and hence lacked a strategic focus. It also raises vital questions about the conviction that they had the strategies they were formulating. If they had the strategic vision, why was there an inconsistency in approach? That results of these strategies were not impressive raises another question whether communication of such important issues was done effectively? The events that followed speaks of a disillusioned leadership that was groping its way through the dark. That strategies did not have the desired impact also suggests that they were not well accepted by senior managers responsible for their implementation. This was the basic reason for performance of the company as studied earlier.

8.2.2.10 Government Interference: Another big restraining factor was the interference of the Government as a stakeholder (chapter-5 section 5.8 and chapter-5 section-5.16). That the Government was, for all practical purposes, in a position to influence the company's activities took its toll. Instead of facilitating the company's growth, it worked more to fulfill its own agenda, thereby obstructing the growth of the company. Its interference in the day to day working of the company, and politically influenced decisions often were opposed to the growth strategies pursued by the company.

8.2.2.11 Insensitive Senior Management: The senior management was less professional in its approach and had limited exposure of running a business organization professionally (chapter-7 section 7.6.3). Neither were they aware of the modern management techniques and sought to
run the company with their intuition, whims and fancies. Many had come from the Government itself and they brought with them the bureaucratic systems and procedures. They lacked entrepreneurial caliber, the zest and the conviction to propel the company to greater heights, which forced them to draw strength only from their bureaucratic experience, which was not much helpful.

8.2.2.12 Technocratic Culture: A technocratic culture seemed predominant in the company (chapter-5 section 5.8 and chapter-5 section-5.16). It was having a vast resource of highly trained engineers engaged in steel making. People appreciated the nuances of business management less and work like business managers. Even the technologists preferred to be technocrats rather as business managers and work with that perspective. This was the reason why the public sector steel company was not managed properly and haphazard decision making prevailed. Some good decisions were taken, it was only done in a limited manner. This legacy continued for long and only after the economic liberalization of the Indian economy did the company appreciate that managing the company professionally was essential for organizational success.

8.2.2.13 Huge Manpower: Other constraints of the company included the vast manpower, which were more a liability rather than an asset (chapter 5 section5.15). With a huge workforce of over 250,000, the company was set to produce 25 million tonnes of steel by the end of the century. A very ambitious target, that it was, it was a great hindering factor for the company that was operating in a competitive market. Being a public sector added to its woe. The manpower of the company as on October 3, 1996 states that the company had a total manpower of 195000, out of which 20000 were officers and 170000 constituted the staff and workers. Amongst the officers, there were over 400 officers at the senior level comprising Directors, Executive Directors, General Managers and Deputy General Managers, 8700 in the level of Asst. General Managers, Senior Managers and Managers and over 11000 in the level
of Deputy Managers, Asstt. Managers and Junior Managers. There were around 70000 people at various levels supporting the operations manned by 125000 officers and men, constituting 35% of the total manpower. This was indeed a massive manpower was a major factor for the low productivity of the company and hindered the process of change management.

8.2.2.14 Inertia and Indifference: Unwillingness of people to deliver results was a natural corollary to the above. The company was suffering from an passivity which found expression quite explicitly in the quality of products produced by people, the services rendered by them to the customers and also within the company, the interpersonal relationship of employees and their sensitivity towards their customers and to the business environment of which they were a part (chapter-7, section 7.6.2 & 7.6.7). The roots of this indolence could be traced to the legacy of working in monopolistic conditions for a long time, faulty promotion and transfer system, the appraisal system, the reward and punishment system, the system of sharing information within the company and the system of career planning for employees.

These major areas of concern obstructed all pious intentions of the management to overcome the environmental forces and make company competitive.

8.2.3 Vital Issues:

As the detailed analysis of the rise and fall of the company under study draws to a logical conclusion, significant issues with long-term repercussion come to the fore. The study of the conditions in which the company came into existence, changes that took place in the business environment in which it operated for over four decades and the manner in which it took initiatives to respond to the changing needs of the times reveals an interesting pattern of management thought and actions that influenced the transformation of the company into its present state. The frequently shifting priorities, continuously changing focus of attention, adherence to rigid systems and procedures, a non-conducive cultural organizational climate
and resultantly its dismal performance clearly discloses the inherent strengths and weaknesses of the company. It also reveals the extent to which the company was able to manage organizational change effectively. It has been conformed by the study that rising profit of the company in the years 1984-1995 was not due to a good change management process but due to the favourable market conditions due to limited supply sources, rising demand for steel, low imports and favourable Governmental policies. In the years following 1991 the liberalization of the economy led to supplies exceeding the demand, increasing expectations of customers' options and rate of change in the market outstripping the pace of change in the market. The competition exposed the company’s capabilities as it found itself unable to meet the fast changing needs of the times. The vulnerability of the company has since been demonstrated in the rising inventory, crashing sales, deteriorating financial health, a disillusioned and discontented workforce, and an uncertain future and a situation where the company is today fighting a grim battle for survival.

Thus, based on the analysis of the data and facts done in the preceding chapters, following inferences are drawn and considered as necessary to ensure a successful turnaround of the company under study:

1. The company should have sensitivity to the environment.
2. It must have the capability to rethink the future and challenge the basic assumptions prevailing in the company
3. The management should have consistent strategic focus
4. It must find ways of growing and building advantages rather than eliminating disadvantages only
5. In order to take control of its destiny, company must urgently reconfigure its competitive strategy
6. Systems and structures must facilitate organization's quest to achieve goals
7. Decision making process must integrate with process results
8. Corporate vision should create an environment where people should put their best for the growth of the company
9. A conducive organizational climate must provide the foundation for company's success.
10. Inertia and indifference must be replaced with an inherent urge to work and win
11. Control systems should be stringent with accountability and responsibility as cornerstones in all activities within the company.
12. There should be an appreciation that a sound value system must ensure transformation of core of organizational psyche.

8.2.3.1 Sensitivity to Business Realities: In today's fast changing business scenario and intensifying competition, competitive advantages are hard to sustain. In such a scenario if the company is to be successful, it must possess the ability to decipher its environment carefully and respond to it on a continuous basis. Today steel business has become globalized: information technology is increasing customer consciousness; competition is intensifying incessantly; customer expectations are changing fast; and expectations of stockholders and employees are increasing. Price has become an important determining factor in purchase decisions, product life cycles are shortening; more focus is given to enrich product portfolio through value addition and product pruning have become necessary preconditions for companies seeking success in the marketplace. There is an urgent need to redefine the target markets, distribution channels, advertising and sales promotion policies and all the services that support the line in the marketing function. While input costs are increasing and prices have become market driven resulting in increasing pressure on profits. Role of sales promotion is increasing; channel management is becoming significant; and pace is becoming critical in determining the competitive edge. Magnitude of Quality has been relegated to merely a passport for market entry; with product augmentations becoming crucial in the success or failure of the company. Importance of effective leadership is being realized and crucial role of
human resources as an essential factor for company’s growth is being recognized. That organization is more than a mechanistic expression of abstraction and responds like a living organism that represents its ability to learn and adapt, is also being understood. Time is becoming crucial and today. The acid test of a company’s competitive advantage is now its ability to offer the maximum competitive value at the minimum delivery price.

In the face of such competitive realities the company it is imperative that the company must change to match with the outside world. The factors that facilitate changes within the organization, reassess core competence and formulating effective strategies to manage change, need a complete rethinking. The company must learn lessons from its past and reorient it thinking towards the realities of business. It must also formulate a potent strategy that assures it a competitive edge in a competitive market. Continuous fundamental changes in the external world and a turbulent business environment requires continuous management of change in the company. This would mean continuous fundamental changes in its thinking, changes in the systems and structures, changes in its approach towards winning and changes in its strategies that could make it happen. The company must have an uncanny ability to sense the changes in its business environment to ensue its survival and fulfil its potential to be as great as it can be.

8.2.3.2 Capability to Rethink The Future: The study reveals that in order to ensure effective change management in the company, there is an urgent need for a complete rethinking about the future. It must escape from the gravitational pull of the past, be willing to challenge its own orthodoxies and rethink its fundamental assumptions about how it intends to compete! It means maintaining continuity by constantly sustaining and creating newer sources of profit. The company should also search continuously for a profitable and sustainable competitive position where there are opportunities for growth. This competitive advantage should grow fundamentally out of the need to create a superior value for its customers at the lowest delivery cost. Value is what customers are willing to pay, and superior value stems from offering lower
prices than competitors for equal benefits that more than offset a higher price. To attain this position the company needs a well defined strategy wherein it can not only prevent the quick erosion of present advantages, but also it can, through the process of continuous innovation build a better future.

**8.2.3.3 Consistency in Strategic Focus:** To manage change effectively in a competitive market, strategy-making must break away from its past and grapple with the unknown, demanding radical changes in the formulation of the content and process of a winning strategy. It must set its own agenda, not allowing them to be set by others. It must invent its own products that revolutionize people’s lives through innovative technologies that could help the company to attain its strategic intentions. It must redraw industry borders and define new target market segments and penetrate them efficiently. In short, the company, to manage change effectively, needs to take a quantum leap from known to the unknown. Introspective improvements in the company’s operations would therefore, be necessary, but will no longer be sufficient for winning. The older objectives of strategizing so as to increase production have to be replaced by enhancing competence to offer quality products and services at competitive prices, the focus being to produce products which sell in the market, increase market share and ensure sufficient sales realization for the company. For this, order has to be created out of chaos. A strategic focus would require highly developed foresight on the part of the management, a sensitivity in people to understand the impending perils overshadowing the company, and have the ability to comprehend that existing systems, structure, policies, procedures, culture, climate and values. Developing such a unique migration path to the future would be critical, but not impossible. The pivotal role to be played in this context would be by a leadership who would lead; managers who consider work more important than managing; where inertia is replaced by enthusiasm; where dedication eclipses indifference; and where leaders consider action more important than planning. To manage change effectively,
knowledge and intelligence would be the critical factors. The quest for knowledge must prevail. In the 21st century, the company can win if it stays ahead of the change curve, constantly defining their goals, creating newer opportunities, blazing new trails, reinventing the competitive rules, and challenging the status quo.

The company needs a totally new orientation to address to the above. If the future is unknown, the organization can thrive in it if it inculcates the capability of changing itself, its orthodoxies, its work culture, its processes, workflow, and information systems at will and frequently. It should have a fast response system in responding to the market. It should have flexibility and should be able to reconfigure itself constantly to meet changing needs of the market. For that, conventionalism should be replaced by sensitivity, where people empathize with customers' needs, and work and data flow at all directions making the organization conscious and alive, intelligent, and the product of human imagination, not machine bureaucracy. Overcoming traditional organizational obstacles that come in the way of speedy adoption and implementation of strategies should be paramount. The only way to create such an organization is a swift dissociation from the past. Incremental improvements may not be sufficient. What is needed is a radical change to respond to the issues under reference. Such strategy would be successful if it appreciates the fact that there is no pit stop on the race to future; nowhere to rest up and reinvent. In fact, the process of business transformation has to be a race itself. The company would never get back to the race if it is slow in its moves. It must achieve the radical metamorphosis while the race is in progress. If it were able to challenge the present and explore the newer inroads to the future, it would manage change; otherwise it would be overtaken by change.

8.2.3.4 Finding Ways of Growing and Building Advantages: Essentially, managing change in a competitive market should mean finding ways of growing and building sources of competitive advantages for the company under study. This requires a commitment to creating
new businesses, new markets and new products. The company must focus on resources and to ensure a high level of returns, must build a workforce based on an enhanced competence base. Such competence encompassing elements of knowledge, skill and attitudes and values must shape a pattern of market evolution for tomorrow.

8.2.3.5 Reconfiguring Competitive Strategy: As competition in the steel industry is getting more and more intense, the need to redefine competition has become essential for the company’s survival. The changing nature of customers must lead to a corresponding need for changing the basis for competition. The solutions to change the basis would not rest on resolving operational problems alone, but in reinventing the existing competitive space the company is in and work out rules of competition accordingly. The fundamental assumptions about how the company competes in the industry needs a re-look. Tomorrow’s competition would be seen not as competition between rivals in a well-structured industry to divide economic surplus, but as competition amongst all to influence the shape of emerging opportunity arena. In this context, a fresh look at competitive strategy becomes an essential pre-requisite for the company. It is time when the company under study should try to shape the nature of competition and being a market leader, it must strive to take control over its destiny. Secondly, the company must look for a unique position. This unique position should involve the delivery of a particular mix of value to a particular set of customers, which is representative of a subset of the industry.

8.2.3.6 Redefining Systems & Structures: The company, in order to gain competitive edge, needs lean and mean systems and structure. It could do so only when it is able to offer a better value to its customer at the minimum delivery price. As every activity within the company adds cost to the final product, more systems and a cumbersome structure would work against minimizing the delivery price and also might hinder providing maximum value to the customers. As we have already seen, many of the systems need an immediate change: change
that ensures faster deliver of services to the customers. Structure should work for an output that could be offered to the market faster than the competition. The systems and structure should ensure smooth order booking, efficient order processing, fast delivery, empathetic people to take care of customer services and effective management to ensure a long term relationship with customers. Thus it is very important for the company to review its systems and structure and make them more customer friendly to have maximum efficacy.

8.2.3.7 Integrating Decision Making with Process Results:
Integrating decision making process with process results indicate that facet of company's competitiveness that reflects responsibility, accountability and sensitivity of the company towards its customers. There should be an appreciation that ultimately the process results would matter lead to decisions that take care of customers competitive position. Such appreciation would also help evolve a decision making process that understands the importance of speedy decisions throughout the company, their immediate implementation and ownership of the outputs that follow results. Such a decision making process would be possible only through able leadership at all levels, hurdle free systems and procedures, strict monitoring and favourable organizational climate where employee morale is very high. This would result in faster implementation of strategies, faster introduction of products, faster settlements of customer complaints and faster growth of the company. It in turn would lead to enhanced competitiveness and a potent competitive advantage for the company not only in the present, but also for the future.

8.2.3.8 Visionary Leadership: In order to ensure a successful transformation, the company must be guided by a visionary leadership. Such a leadership have the responsibility of recreating the company that is able to outfight competition, rejuvenating a culture which strengthens interpersonal cohesion and encouraging performance. Leadership must create a corporate culture that is facilitate change. The leadership of the company must shed their
thinking of fighting competition in a conventional manner. It must create an environment that actually embraces change, not as a threat but as an opportunity.

8.2.3.9 Promoting a Conducive Organizational Climate: The history of the company represents a story of an institution which, inspite of having sufficient strengths, failed to deliver results. Many of its advantages stated in chapters 5, 6 and 7 were eclipsed by certain weaknesses that seemed engrained in the company’s form, predominated during the period of the company’s existence and determined its fate continuously. One of the many such inherent weaknesses was a non-sensitive organizational climate prevailing in the company. A casual approach of supervision towards the company’s operation, a sense of over-security of employees nurtured by its protective environment, lack of sensitivity, discipline, ownership and responsibility and disharmony in inter-departmental coordination prevails in the company. A culture of mediocrity persists and often has resulted in low morale amongst employees. This reinforced by rigid systems, cumbersome hierarchy, ineffective controls and indifferent leadership at every level of the hierarchical ladder has resulted in lack of will to work and urge to win. A conducive organizational climate is a necessary pre-requisite that would provide a foundation for a successful turnaround of the company. The company under study needs a culture that is adaptive and facilitates change. Such a culture must have two core elements: ability to understand the basic constituents that support its business; truly valuing initiative and leadership at every level of the company. A combination of these two elements would give an incredible capacity to the company to manage change.

8.2.3.10 Working to Excel: The perceptions of stakeholders-customers, shareholders, employees and suppliers as stated in chapter-7 exhibit indifference and inertia by employees in work leading to unsatisfactory performance. The study reveals that the urge to win is the basic reason that has the ability to trigger an effective management of change in the company. It is observed that reasons for lack of urge to work and win is due to the cascading effect of factors
namely absence of accountability, poor monitoring and control, and absence of responsibility is due to many reasons. Proper posting and usage of manpower, over security in job, leadership styles, appraisal system and promotion policy, systems, and leadership style resulted in stifling innovation and creativity, ownership, commitment and enthusiasm. These dangers could be eliminated only by an effective leadership that is able to create a climate where a spirit to perform and excel pervades and where excellence is the hallmark of all its activities.

The factors affecting positive urge to work and win and their inter-dependencies are depicted in the following diagram.

![Fig. 8.1 Factors for Employee Commitment](image-url)

**Fig. 8.1 Factors for Employee Commitment**
8.2.3.11 Efficient Control Systems: Absence of stringent control systems is one of the very important reasons that hindered the management of change in the company. It was lack of effective controls that caused poor discipline, lack of concern for customers, indifference to work, low productivity and dismal results leading to lack of competitiveness in the market place. It was absence of effective monitoring and control systems that generated a careless attitude amongst employees, absence of answerability in cases of failing to achieve targets, non-commitment to work and non-adherence to company norms. It is exhibited that it also contributed significantly to the deterioration of organization culture and climate. It affected the morale of people adversely and also resulted in downslide in the face of intensifying competition.

8.2.3.12 Nurturing a Sound Value System: It is evident from the study that the unsatisfactory performance of the company during the period of its existence, first as Hindustan Steel Limited and then as Steel Authority of India Limited has been due to the dearth of a sound value system in the company. Absence of such a system has had profound adverse effect on the company’s overall performance even when it registered significant profits from 1984-1996. Lack of commitment, loyalty, dedication, sincerity of purpose, and willingness to work and win has been primarily due to the fact that the company during the period spanning over four decades of its operation could not inculcate and nurture a strong value system amongst its employees. It was basically due to the absence of values and beliefs that people were unconcerned towards improving the quality of their work, show exemplary results and be the best in the market. It also led to lack of harmony within the company, absence of strong inter-personal relationships and less customer satisfaction. The company, today needs a philosophy that provides an understanding to employees about their company, themselves and their future and the mode to achieve the best in all its endeavour.
In order to survive and achieve success the company must have a sound set of beliefs on which it premises all its policies and actions. It must also ensure faithful adherence to those beliefs. Such a sound set of beliefs, shared values and code of behaviour is provide the company with clear and explicit guidelines for behaviour. It is also necessary that company must be prepared to change everything about itself except those beliefs as it moves through corporate life.

Such a philosophy or the superordinate goal or alternatively the value system, the shared value or the code of ethics should drive the company’s behaviour continuously. It should express the core principles of the company and provide guidance to its employees as to how to respond in the organizational context. Such a value system should also address to the expectations of stakeholders - inspiration to its employees, hope to its shareholders, assurance to its customers and confidence to its suppliers. These organizational core values must be embedded deeply in everyone inside the organization and should form the basis of what it should consider to be right or wrong. It should provide guidance to the real priorities of the company and also must lead towards competitiveness through excellence in products and services. To ensure the above, the company must focus on respect for the individual, achieve the best customer service and in doing everything in a superior and excellent manner. It is vital for the company’s journey to excellence and should form the cornerstone of the edifice and transforms the thoughts and actions of people in the company.

Nurturing a sound value system in the company thus becomes an essential pre-requisite for the company and would have profound effect on all aspects of the organizational setting. It would reinforce leadership with a good values and beliefs, provide a harmonious intra-organizational environment, create a burning urge to work and win and intensify an instinct that would enable the company to beat competition. It would create long lasting inter-relationship within departments, customers and suppliers. It would also enhance the quality of products and services and create an ambience of effective communication, trust, customer satisfaction and ownership. A dedicated, trusted workforce with such a sound value system is the trigger for
ensuring organizational transformation. It would create a climate for a creative process of exploring new possibilities, create order out of chaos and resonance out of dissonance. Such a climate would encourage people to speak their minds, to voice their opinions, to air their doubts without there being any implicit assumption that such activities are negative and counterproductive. It would enable people to share the concern for company’s growth and forge together to resolve problems.

A sound value system if not understood properly and implemented properly would fail to deliver goods. It is therefore necessary that this philosophy must be shared and disseminated across the company. For this an effective system should pervade throughout the organization which ensures its understanding as to what the organization stands for, the direction it intends to pursue and the manner in which it is to be achieved. It should also be a succinct expression of its basic corporate belief. Last but not the least, it should reflect as to how the company expects its corporate dreams are to be achieved and sustained.

8.3 TEST OF HYPOTHESIS

Five hypotheses were made in chapter-1 (section 1.5). Whether approved or not, on the basis of the study, have been discussed below:

- The first hypothesis was that companies, in order to grow in a competitive environment, must enhance/ reinforce their competencies to meet environmental challenges. As environment changes companies need to escape the orthodoxies of the past and find newer ways to achieve sustainable. Study made in chapter 4 and 5 about the company and perception of its stakeholders regarding the company’s performance and image indicate that the company with its older ways of handling things could not cope up with the increasing market pressures and slipped downwards. The study suggests that if the company under study has to survive and grow in the changing business scenario, it must change its older ways of comprehending issues, see things from a new perspective and take
actions that is in accordance with the needs of the times. That future cannot be an extrapolation of the past and old ways of competing would not be enough for the company to sustain its competitiveness and that a radical turnaround is needed throughout the company is needed. What is needed is a holistic approach to deal with the situation, which would entail a comprehensive approach towards organizational transformation to ensure its long-term sustenance. Hence the first hypothesis can be validated.

- The second hypothesis made was whether companies, in order to manage change, need to have a high degree of professionalism and result orientation. Study made in chapter 5, 6 and 7 reveal that continuous improvement initiated in the company in the last decade could not reap desired results. Though such improvements seem necessary to ensure a steady effort for affecting organizational change, they may fall short of bringing about sustainable organizational transformation in the real sense of the term. It is learnt that only professional initiatives could help an organization to eliminate unfruitful activities and processes and help towards creating a condition that enables organization to respond effectively to a given situation. Such initiatives if clearly enumerated and continuously pursued could bring about the desired change in the organization. In competitive situations, shift from the existing paradigm that transforms the potential of the company into actions necessary for management of change. The second hypothesis thus stands validated.

- The third hypothesis considered pace and peoples as significant elements in successful implementation of strategies for managing change. As data analysis done in chapter 7 indicates, pace and people proved to be two important factors that played significant role in the growth and development of the company under study. Whatever efforts were made by the company were negated by the quality and speed of response of people across the organization. The study also reveals that success of any strategy would ultimately rest on careful planning and successful implementation, which includes speed of implementation of whatever move is enunciated, which in turn would depend upon people’s orientation and
willingness to contribute towards the organization's success. It has also been exhibited in the study that the effectiveness of the change management process is directly related to the competence of its people, which includes their knowledge base, skill level and their attitude to work, which in turn determines their speed of response also. The third hypothesis regarding the significance of people and pace for organizational transformation is thus validated.

- The fourth hypothesis said that company's leadership must have a very strong well-defined sense of purpose of recreating the organization and an obsession to lead the company through the change process. The studies made in chapter 4, 5, 6 and 7 clearly show that leadership proved to be of critical importance for affecting organizational change. Such leadership with a clearly defined sense of purpose and an urge to make things happen would spearhead the total transformation process and create conditions where organizational resources would be optimally utilized. Data analyzed in chapter 7 section 7.6.5 reveals that the focus of corporate interventions made in the period 1984-85 to 1995-96 was inconsistent and thus lacked teeth. The data shows that leadership could not 'create obsession amongst people and involve them for contributing their best for the organization.

- The fifth hypothesis made in the study said that effective value orientation would play a vital role in ensuring long term strategic success for the company. Indeed, as the findings of the data reveals, the company under study could not have a value and task orientation not only in all its strategic moves but also in all company activities. This was a major factor that led to the not so impressive performance by the company in the period under study. The systems of monitoring and control were also not effective. As a result that corporate strategies were not implemented effectively, and clubbed with the not so good quality and pace of response of people, ineffective leadership and low involvement and direction, the change management process in the company could not give the desired result.
8.4 CONCLUSION:

The process of change management followed in the company under study gives many fascinating insights. As we go through the case under study, it becomes apparent that the change process is a continuously process; the key to successful change management lies in successfully anticipating, understanding and managing change. Openness and thoughtful planning and proactive management is likely to increase the likelihood of success while ensuring good-fit between company and its environment. The basic understanding that change is about quality; the quality of decision making, leadership employee commitment, service to the customers, cooperation, innovation, fairness, openness and ultimately performance is amply clear from the study. Change intrinsically involves the entire organization – not just one function or division or a layer of management. As is evident in the study, failure to include everyone in the change process alienates those who have been excluded and eventually doom the process to failure. An organization is a reflection of many interests and contributions and go far beyond investors: employees, who contribute unceasingly all through their career; suppliers, who extend the necessary resources to the company; customers, who constitute the lifeblood of business; and the public, which is a organization as a sources of their sustenance through tax revenue, needed product and services and wealth creation. These constitute the organization’s ecosystem, which can never be overlooked. It can also be observed that change management can be successfully initiated when leadership is courageous and foresighted; innovation and creativity becomes the watchword; and where the organization is highly sensitive to the shifting trends of the environment and is able to respond to them fast.

Based on the learning points enumerated above, a turnaround strategy is suggested for the company in the next chapter which would facilitate the management of change in the company very effectively.