CHAPTER-I
INTRODUCTION

1.1 GENESIS:

The last decade of the twentieth century has been quite disturbing for Indian steel business. Markets are crumbling, product life cycles are shortening, customer expectations are changing, competitive advantages are harder to sustain and conventional ways of managing business seem inadequate to cope with the increasing pressures of the market. A fear, an uncertainty and chaos borne out of these tumultuous changes in the steel scenario has accentuated an apprehension of an impending catastrophe in the Indian steel industry. Same is true Steel Authority of India Limited (SAIL), the public sector steel company in India. Cruising happily till a few years back, the journey to future for the steel industry doesn’t seem to be smooth sailing any more. As the competition in SAIL increases further and survival of companies seem difficult, an element of skepticism stretches out in the horizon. With it arises vital questions pertaining to the future of the company. The question whether the road stops here or is it possible to revitalize the energies and take the country’s destiny to a new dawn is being asked today. Has time come to re-examine the past and have a new perspective for the future? Have the needs of today’s management outgrown their conventional paradigm and are now in quest of a new form? If the traditional concept of management seems heading for a dead end, how could change be managed in the not so distant future? If it is time to reinvent the future, how can companies do it? Treading delicately on an uncharted path, the company seems striving to find answers to these vital questions, hold ground in a unpredictable landscape and fight a grim battle for survival. Today, a simple choice faces the company. That choice is: rethink the future or be forced to rethink the future. If it chooses the first option it will have the best chance of surviving and thriving in the turbulent terrain ahead. On the other hand, if it procrastinates in the belief that the future will be a continuation of the past, will
quickly find itself overtaken by change. It will be forced to rethink where it is going, and how it is getting there, when it is probably too late to avoid the inevitable. This fear of the unknown and the quest to surmount the uncertainty of the future for the company forms the basis of this study.

1.2 MANAGEMENT OF CHANGE - NEED FOR PUBLIC SECTOR STEEL COMPANY IN INDIA:

India is on the threshold of an economic revolution today. The regime of control, licenses and restrictions has paved way to a free, liberalized environment. The era marked by economic liberalization reflected impressive growth of the economy in the initial years including the steel industry. The Indian steel industry comprising of the public sector steel giant-Steel Authority of India Limited (SAIL) and the private sector steel company-Tata Iron and Steel Company Limited registered attractive results too. The fierce and dynamic interplay of market forces however led to a competition that seems difficult to contain. With the emergence of new players in the steel scenario, the resultant increase in supply, and the sluggish demand conditions prevailing globally, the fight for survival seems tougher. Today companies seem heading for a situation it must manage change effectively or it might cease to exist.

The anticipation of such difficult times and the need to propel the public sector steel company-SAIL to revamp its strategies seemed essential for quite some time. The results also seemed encouraging in the initial years. However, as competition intensified, SAIL, the market leader in the country, is finding it increasingly difficult to withstand the onslaught of the market. The result is a nose diving performance! This unpredictable shift in the standards of performance has intrigued many a mind who have tried to relate the excellent performance of the company with the change initiatives taken by the company. Whether the excellent performance of SAIL could be attributed to its inherent strength or the conducive environment or whether the
turnaround strategies formulated to overcome the changing market trends were successful will be studied in this research. This and other similar questions form the basis of this research. The study will also explore the various dimensions of the process that seem essential to anticipate the fast pace of change in the environment and respond adequately to enable the company to achieve its goals. An attempt has also been made in this study to ascertain reasons of the change process started by the Steel Authority of India Limited after liberalization of the Indian economy, and to see whether the company was able to adapt itself to the total changed scenario.

1.3 OBJECTIVES OF THE STUDY:

In view of the changing profile of competition in the steel industry in India and increasing expectations of the customers, the ability of a company to react, adapt and counter the forces of the market has become the ultimate determining factor for success. The same holds true for the company under study. Operating in a secure market since its inception, the company was exposed to the perils of a free market economy in 1991. The changes taking place in the steel industry since then have been very disturbing. Number of new entrants increased, supply exceeded the demand and customer had a choice! While customer expectations increased and prices started dictated by the market, company felt the pressure of market in terms of quality and cost. The company, with all its strengths made attempts to face these pressures and it seemed from the results that it did succeed in its actions to a fair degree. But, as the market crumbled in the years after 1995, the results were discouraging. A fundamental question that intrigues many a mind today is whether the excellent performance of the company was only due to the conducive environment with low competition, demand being more than supply and market upsurge or the strategies implemented by the company were inadequate and resultantly, it failed to manage change as it came. An attempt will be made in this study to find answers to these questions also.
Accordingly, the objectives of this research have been set to scan the business environment, explore the extent of competition and competitiveness of the company and study the different dimensions of the change management process in the company. The Study will aim at:

- studying the changing trends of the steel industry in India
- examine the needs of the mild steel market
- study the competition prevailing in the marketplace and its implications
- study the various initiatives taken by the company to synchronize the needs of the market with that of production in its steel plants
- examine the performance and opportunity gaps
- revalidate assumptions, if any, and
- suggest ways that could strengthen company's efforts to manage change in such situations

It is hoped that the study will be able to provide a valuable insight into the process of management of change in a competitive market and help companies operating in mature markets to formulate effective strategies for gaining competitive advantage.

1.4 SIGNIFICANCE OF THE STUDY:

The history of the growth and development of public sector steel company in India makes an interesting study. The transition from a protected environment to a liberalized economy has not been easy for the company. Operating in almost monopolistic conditions initially, the company faced no competition per se. The demand of 14.773 million tonnes of saleable steel was enough to take care of its production (14.653 million tonnes) and there was a steady stream of customers waiting to purchase its material. The opening up of the national economy created conditions, which were radically different from the past. Finding steel making as highly profitable venture new manufacturers, with more than fifty thousand crores

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worth of investment, plunged into the fray. Liberal imports added to the misery of the company by adding an additional seventy thousand tonnes or more steel to the existing availability. By 1996, the demand had risen to 22.168 million tonnes, while the supply exceeded 24 million tonnes. This shift in the profile of the market changed the total business scenario almost overnight and put the company in a position where its survival was at stake. What is even more interesting is the fact that the company under study had anticipated the imminent change and had started formulating strategies to cope up with the imminent change. And it seemed that it did succeed in its attempts in the first four years. However, as the intensity of competition increased, the company started losing ground. Its performance deteriorated and the vital questions that arose was - whether the excellent performance exhibited by the company in the initial years after liberalization was due to the change initiatives undertaken by the company or it was because of the natural boom of the market that got reflected in the performance, and as soon as the conditions became difficult, the company found it difficult to sustain its profitability? Was the change management process adopted by the company inadequate to counter the market forces? And what needs to be done to increase the longevity of the company?

The transition of a company from a near monopolistic market conditions to one fighting a grim battle for its survival within a very short span raises basic questions about its ability to manage change effectively. Never before has such a change occurred in the history of steel industry in India. Whether the company requires need to relook at the fundamental assumptions, precepts and conceptions about change and its management have to be answered. Issues relating to the need to re-examine the markets and precepts of competition and competitiveness, leadership and task orientation in organization, role of people and culture in implementing turnaround strategies, cost control, and reconfiguring of systems and structure for effective control also
need to be studied. The study will also find ways of creating and sustaining competitive advantage for organizations operating in highly competitive markets.²

1.4.1 Re-examining Markets:

With the increasing growth and volatility of demand, the need to re-examine markets is gaining more importance. Also becoming significant is the increasing need to retune the elements of the marketing mix, its behaviour and importance of pace and people to meet competition effectively. The role of technology in revolutionizing product and market management process and how the significance of changing profile of the marketplace is affecting steel business is also assuming importance. The repositioning of products and market stance of different steel making companies will also be reviewed.

1.4.2 Competition and Competitiveness:

The study will make an attempt to find answers to the fundamental changes taking place in the nature of competition; changing profile of competitiveness; and ways of gaining competitive advantage. The study will also focus sharply on building opportunities for the organization’s tomorrow and identify the elements that could be the most important determining factors in managing change.

1.4.3 Leadership and Value/Task Orientation:

The changing role of leadership as the nucleus of the organization will be one of the primary dimensions of study. Leadership as the fountainhead for organizational sustenance will be examined. That leadership could be the pivot in synthesizing a harmonious organizational culture and pave a new way to release the unlimited potential of people of the organization will be reassessed. Moreover, the role of leadership in leading organizational transformation and how leaders could provide a true sense of empowerment in terms of a meaningful sense of purpose will be examined in detail in the study.
1.4.4 Role of People and Culture for Organizational Turnaround:

The study will make an in-depth consideration into the various dimensions of people as the most important single factor for organizational transformation and the extent to which successful implementation of all organizational strategies depend upon the extent to which people internalize them and make them happen. The significance of a strong adaptive culture in reinforcing and sustaining strategies is another vital aspect that will be studied in detail.

1.4.5 Cost Control:

Controlling costs seems to be a simple formula to increase the bottom line. But whether the ultimate goal for companies is to make money and not save money alone, will be examined in the study. Also, the steps need to be taken by the company to control costs and sustain itself will be studied and remedial measures will be suggested to combat such difficult situations.

1.4.6 Reconfiguration of Systems and Structure for Effective Control:

A company’s journey towards excellence rests upon its ability to make effective use of its resources, encourage innovativeness and creativity and take on course corrections wherever needed. To that effect, the study will analyze the different aspects of systems and structure for making it happen. It will also make efforts to assess the extent to which an effective control mechanism can reinforce organizational efforts for achievement of predetermined objectives.

1.4.7 Creating and Sustaining Competitive Advantage:

In today’s scenario, it is difficult to sustain a competitive advantageous position for the company. As the competencies of organizations are changing fast, there seems to be a need for company to keep pace with the shifting sands of competitive advantage of companies and create multiple competencies to counter the threats of the environment. The study will explore this important aspect of change management and find out possibilities to stay ahead of competition always.
1.5 HYPOTHESES:

The literature on management of change provides a basic framework of thought on the different facets of the subject. Ideas are diverse ranging from focus on initiating changes within the organization, reassessing core competence and formulating effective strategies to manage change in a competitive market, and putting thrust on leadership as a significant element for bringing about organizational transformation. Porter’s tenets of corporate competitiveness have catalyzed proactive actions. Hamel and Prahalad’s theory of leveraging core competence for growth has become corporate axioms. Kotler’s precepts of marketing and its complexities continue to provide a guideline for meeting customer needs. Hammer’s concept of reengineering processes is being widely adopted. Bennis and Kotter’s viewpoints on leadership, culture have propelled corporate leaders to manage companies in a better manner. Ries and Trout’s theory of positioning have become fundamental tenets for managing competitive markets. Handy’s philosophical analysis of work if redefining the lives of both individuals and organizations. ³ Also, Arie de Geus’s ideas on corporate longevity has sparked off a rethinking about future of companies in a renewed manner.⁴

Based on the above and other literature on the subject, some hypotheses have been made in the research study. The work has been carried out to test the following hypothesis with respect to the public sector steel company in India i.e. Steel Authority of India Limited.

- 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 growth.
- To manage change, companies need to have a high degree of professionalism and result orientation.
- Pace and people play a significant role in successful implementation of strategies for managing change.
Leadership of the company 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.

High value orientation is very important in ensuring long term strategic success for the company.

The above hypotheses will be tested in the context of the company under study.

1.6 SCOPE OF THE STUDY:

The study of management of change is of recent origin. Though documents are available on such studies being made in the steel industry abroad like British Steel, UK and NUCOR Steel, USA, the Indian steel industry, with a short life span of nearly a decade has little experience of the same. The Public Sector Indian steel company, which anticipated changes in the external environment and made serious attempts in this direction, was SAIL, but the degree of success of the company to manage change in a competitive market remains a matter to be explored. Other steel companies also including the Tata Iron and Steel Company have been striving to grapple with the accelerated pace of change in the market place with limited degree of success. Under these circumstances, the study will find immense applicability in the steel industry in the prevailing market conditions. Also, the learning points from this study will very well find applications in other industries also, where studies on change management process can be made on different products and industries and companies managed successfully. The study will be done on the four major integrated steel plants of Steel Authority of India Limited (SAIL), namely Bhilai Steel Plant (BSP), Bokaro Steel Plant (BSL), Durgapur Steel Plant (DSP) and Rourkela Steel Plant (RSP). However, the effects of other supporting units may be discussed as per need. The period that will be covered for the study will be since the inception of the public sector steel company in India i.e. 1954 to 1996. This period has
been selected with a view of understanding the trend of performance of the company both under controlled economic conditions as well as the economic liberalization after July 1991.

1.7 METHODOLOGY:

The research methodology followed in this study is one commonly followed in doing any management research. The main objective in selecting the particular methodology is to give valuable information or reaching a rational conclusion. Out of the various research approaches available, the Case Study approach has been selected. This has been done primarily because the researcher intends to do an in-depth study of the issues involved in the management of change process adopted by the company under study and have a thick, deep and holistic view of the entire situation. In this context, primary recourse has been taken in the secondary data that were developed for some purpose other than resolve the issue at hand, like the data generated within the organization itself, the data generated outside the organization such as government reports and data from various professional bodies engaged in the field of steel making. Some amount of survey work has also been conducted through various methods like questionnaires, direct interviews, observation and attitude survey to systematically collecting the desired information directly from the respondents. Besides this, statistical designs have also been applied for analysis of the relevant information. The data has been analyzed through statistical estimation technique, correlation and regression analysis, and hypothesis tests, so that correct information can be elicited from the data collected for the study and an objective conclusion can be arrived at systematically for used by the organization under study and also for different companies working under similar situation.

1.7.1 Sources of Data:

Sources of data are collected mainly from secondary sources in the research work. Such data has been adopted in cases where data already exists in an accessible form and merely has
to be found. Various publications, reports, manuals, formats etc. have been used to collect secondary data. Where satisfactory secondary data was either not available or did not serve the purpose, data has been collected from the primary source. As stated above the method of generating primary data is survey research through questionnaires, direct interviews, observation and attitude survey. This is done to have a clear understanding of the various factors that have a direct or indirect bearing on the study and gets reflected clearly during collection of the data.

1.8 LIMITATIONS:

There have been certain limitations to the study conducted in this research work. These are:

i. The change management process in the organization has not been studied like a snapshot taken at one point of time as done in the balance sheet of a company that gives a financial picture of an organization at a certain point of time and has been studied over a period of time. Since situations are dynamic, the competitive realities of the market are also likely to change from time to time. Hence, some inconsistencies, gaps or duplication may be observed at some places.

ii. In the study through questionnaire, efforts have been made to increase the response rate especially in the middle and lower levels of management and a sizable number of target population has been covered. However, since the total size of employees in the company is mammoth, the percentage covered might seem small.

iii. Interaction with the top level of executives could not be carried out directly and data relied on was based only on their statements, views and thoughts on the subject expressed in different forums.

iv. The change management process has studied in the four integrated steel plants of the company, which constitutes around 85% of the employees doing the major chunk of the
operations of the company. The smaller steel plants and supporting units of the company are bound by the same policies and reflect the same reactions to the change management process and thus have not been taken into consideration. This requires a separate study to make it more comprehensive.

v. Though efforts have been made to rationalized the findings of the study, the research being made for a large, multi-unit and multi-location manufacturing organization specialized in making steel and operating in specific market conditions, the findings may not be necessarily generalized and extended to every organization.

vi. Some of the data is not recent. Yet attempt has been made to project the status and situations to explain certain points with such data which, under assumptions, might not have changed drastically to present a completely different picture and help understand the issues under consideration.

1.9 OUTLINE OF THE STUDY:

The thesis comprises of nine chapters and deals with study of the phenomenon of change, genesis of the steel industry in India, growth of the public sector steel company and its transformation, competitiveness of Steel Authority of India Limited and its responses to the competition, findings and suggestions and proposed models to manage change effectively in a competitive market. As the study was directed towards the study of the external environment and the change management process of the company, it was imperative to make a study of the organization, its systems and structure and mode of responses of the company from time to time to respond to the market forces. This has helped in carrying out the work further in the area of management of change. A study of the literature on management of change has been presented in a separate chapter. Literature survey has been used for studying the change management process in SAIL as a case.
The thesis has been divided into nine chapters, which are as follows:

i. Introduction

ii. Review of literature

iii. The Phenomenon of Change:

iv. Public Sector Steel Industry in India

v. Public Sector Steel Company in India

vi. Competition in the Steel Industry

vii. Data Collection and Analysis

viii. Interpretation of Data and Presentation of Findings

ix. Suggestions and Proposed Models for Managing Change

Introduction of the research has been given in chapter-i. The genesis of research, need for management of change, significance of the study, objective, hypothesis, scope and methodology, sources, limitation and outline of the study have been described in this chapter.

Chapter-ii titled *Review of Literature* on management of change is basically a literature survey made on the subject. The nature and dynamics of change has been talked about in this chapter. Besides this, the intensity of forces affecting the change process, strategies for managing change and the change process adopted in steel industry have also been dealt in this chapter.

The phenomenon of change and its ramifications are discussed in chapter-iii. This chapter talks about the philosophical viewpoints about the phenomenon, its dynamics and also the various facets that it possesses in this chapter. Thus, this chapter tries to elaborate the various concepts and its implications of the change process.

Chapter-iv deals with the growth and development of public sector steel industry in India. The chapter traces the history of growth of public sector steel industry in India, the vision behind
the setting up of public sector steel company in India and the subsequent steps taken by the
government in this regard.

Chapter v takes up the issue of the development of the public sector steel company in India.
The birth of Hindustan Steel, its performance and its transformation into Steel Authority of
India Limited is studied in detail. The various factors considered in managing the company
over a period of years, its achievements and initiatives taken to enable the company to establish
itself has also been discussed in this chapter.

Chapter-vi elaborates the level of competitiveness of the company under study. This chapter
gives a clear picture of the perception of the different stakeholders of the company under study
– customers, suppliers, investors and employees and makes attempts to analyze their
expectations from the company.

Data collection and analysis forms the vii chapter of the thesis. In this chapter, the
methodology, sample design, instrument design etc have been spelt out and details have been
furnished about the different surveys carried out to collect data. A detailed analysis of the data
has also been done in this chapter that could lead to valuable inference on the topic under
study.

The data has been interpreted and logical conclusions have been drawn in chapter-viii. This
chapter also suggests strategic imperatives available before the company. The vital issues,
concepts and constraints involved in the management of change are also re-examined in this
chapter.

The last chapter i.e. chapter-ix makes an attempt to synthesize the entire research work and
suggests recommendations on the vital and sensitive area of management of change in a
competitive market. This chapter also tries to bring about certain theories and suggests models
that could be used by other industries operating under similar situation. It relates the priorities of the company and explores areas for strategic actions for long sustained action.

1.10 THE ENDEAVOUR:

The concepts and practice of Management of change in a competitive market have been studied and reviewed in the research work taking the case of the public sector steel company in India - Steel Authority of India Limited (SAIL). In this study, an attempt has been made to synthesize the theories and practice in this field of management. Based on experience of this work, it may be recommended that the study of the organization and management is essential in addition to the study of the management of change for carrying out any research work in this field. By doing so, an endeavour has been made to establish the relevance of such work so that the research work can be utilized by theoreticians, researchers and practising managers.
1.11 REFERENCES:


