Case 1

TASTY BITE EATABLES LTD (TBEL)

Deciphering Communication during Turnaround

Background

Tasty Bite Eatables Ltd (TBEL) was incorporated in 1986, as wholly owned subsidy of Grand Foods. It set up a state-up-of-the-art Ready to Serve (RTS) food and frozen vegetables production facility in India in 1988-89. When its unsuccessful attempt to sell in the Indian markets failed it switched focus to markets in the Middle East, Russia and the US. However, the sales failed to pick up.

In 1992, Pepsi, owing to its export obligation (due to a Government of India (GoI) regulation for foreign multinationals), collaborated with TBEL for exports of TBEL products. At this time Preferred Brands International (PBI), a US based natural food marketing and distribution Company was given the charge of marketing TBEL products internationally. TBEL committed resources to the joint efforts. However, in 1994 the reforms in Government of India regulations released Pepsi of its export obligations. Pepsi thus decided to stay with its core business and thus exited the collaboration with TBEL (Subhadra, 2003).

In 1995, PBI was given exclusive brand rights in key global markets and Tasty Bite products were launched in the US. In 1996, (HLL) Hindustan Lever Ltd. acquired Grand Foods and TBEL thus entered the umbrella of HLL group. But by this time, TBEL had accumulated losses to the tune of Indian Ruppee (INR) 112 mn. It was declared a sick unit and referred to BIFR.

2 The RTS food market can be categorized into ready-to-eat foods, mixes and powders, salted snacks and sweets

3 Board of Industrial and Financial Restructuring constituted to assist Companies that come under the purview of Government of India Sick Industrial Companies Act (SICA) 1985
In 1999 TBEL registered profit for the first time in 13 years. Its networth in 1999 increased to INR 52 mn and by 2002 had reached INR 124 mn. (source: Prowess CMIE). (See Figure 5.1.1: Networth from 1987 to 2005). BIFR de-registered TBEL in 1999 – first time for a food company in the history of India (TBEL Annual Communication Meeting Presentation, April 19, 2002).

Table 5.1.1: TBEL performance during 1995-2005; turnaround in 1999

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<td>Gross sales (in INR mn)</td>
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<td>124</td>
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<td>Net worth (in INR mn)</td>
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Chart 5.1.1: Performance of TBEL during 1995-2005; turnaround in 1999

Tasty Bite Eatables Ltd.

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4 Centre for Monitoring Indian Economy Pvt. Ltd., Mumbai
Unraveling the turnaround (from 1996 to 2002)

New management takes charge: In 1997, HLL converted its INR 120 million unsecured loans to preference capital at a premium of INR 19.50 per share (Subhadra, 2003). However, HLL had decided against venturing into frozen foods business. Therefore, other than representation on the Board, HLL withdrew from all activity. Ashok Vasudevan and Kartik Kilachand of PBI who had been responsible for marketing the TBEL products in the foreign markets along with three more members took charge as Members of the Board of Directors of TBEL with Ashok Vasudevan as the Chairman BoDs. Ravi Nigam, who until then was working with Britannia Industries Ltd., was appointed as Chief Executive Officer of TBEL and he became the sixth member of the BoDs of TBEL.

“We met to ask each other as to whether we were ready to work for INR 30 mn company or were we ready to take on the task of a major turnaround to make the exercise worth the effort of quitting the MNCs we all were working with earlier. It was clear to us that we were looking at much more than a simple financial turnaround (Ravi Nigam, Chief Executive Officer, TBEL, personal communication, October 20, 2005)”. So, the group embarked on the project of management turnaround to make the financial turnaround sustainable.

The management then set before itself the task of identifying and understanding issues and developing an overall strategy to improve the Company’s performance.

Internal Issues: The factory was located at Bandgaon village close to Pune, a city around 200 km from Mumbai\(^5\), where the TBEL corporate office was located. The communication infrastructure connecting the office to the factory was inadequate. “The factory telephone lines were perpetually non-working and the closest STD booth was 3 km away. When Nigam and the corporate office staff started to spend 3 to 4 days in the factory they realized that the factory needed managerial intervention day-to-day, to resolve issues that only the management could address.

The foremost issue glaring at them was a basic humanitarian cause for which “we were not prepared. 70% of the work force did not earn minimum wages as stipulated by the Government of India. The regulatory norms were not followed. Salaries were paid fifteen to twenty days late. Statutory dues such as PF were delayed for months together. Year after year increment was pathetic and it was evident that no reflection

\(^5\) Commercial capital of India situated in Western part of the country.
was given to basic cost of living (R. Nigam, personal communication, October 20, 2005).".

A 26 acres farm contiguous to the factory was a virtual dumping ground. There were thousands of babool* trees in the swamp that had got collected in the farm. The overflow was creating a swamp of its own. The issues staring in their face were therefore such as how to treat the effluent rather (or more) than how to sell Tasty Bite products. "But these simple things indicated that no one was interested in the factory or its workers. Not even the workers themselves (Nigam, personal communication, October 20, 2005)."

However, workers themselves had to be handled carefully. "For instance, three managers including the factory manager were the cynical power centres. They propagated dogmatic views such as ‘the management only talks and does not support the workers; attribute non-performance to non-availability of resources etc’. But they enjoyed huge support from the workforce. Since there was little work to occupy the workers, they all criticized together. In the process they had formed regional lobbies (Maharashtrian * and North Indian) and some kind of politics between them to keep them occupied. There was thus a need to motivate the workers and develop team spirit in the organization. Besides, the company was not run professionally. For instance, there was a need to create a management structure and introduce some layers. This had to be done carefully – keeping the team together and carefully avoiding bureaucracy (Nigam, personal communication, October 20, 2005)."

"PBI being an American Company, the workers were apprehending a hire and fire policy and hence the trust was also low (Kartik Kilachand, personal communication, Oct 20, 2005)."

On the other hand, the management was perturbed by the prevailing value system. "In India a lot of things can’t get done unless you grease the palms*. Ten years back, corruption due to red tape was rampant and the situation was worse than what it is today. Technology depth and quality concepts of the employees were other concerns. "TBEL needed brighter people who could create a vision for technology (Nigam, personal communication, October 20, 2005)."

The understanding of the term ‘quality’ was very different in India from that in the US. In India quality implied making the food microbiologically safe. This implied

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* A plant that grows in swamp
^ People who belong to the Maharashtra state of India
* colloquial term used to express the act of paying a bribe to get work done

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that all research was focused towards how to best preserve the food so that it could be
packaged. The concept was to devise methods to kill pathogens. "This was a
nationwide phenomenon for even in the research labs of agriculture universities all
researches were directed towards such goals". In the US however, quality also
implied issues pertaining to the look, feel and taste of the food. Similarly, the term
‘standardization’ had a different meaning for the two parts of the world. “There were
plenty of complaints in the past but some of those were dramatic in nature”. See
exhibit TBEL 1. Semantics was therefore a major issue that TBEL management had
discovered. Since, TBEL products were sold in the US and manufactured in India this
was a major gap demanding attention.

To carry out the daunting tasks, TBEL needed professional managers who would
believe in the new management and its targets. “This meant that we immediately
needed to recruit good people”. Considering that the Company was sick for almost 11
years; had just recovered by financial infusion; was neither a big brand nor capable of
offering a ‘handsome’ salary package, recruitment too was an issue. TBEL decided to
select middle managers from large Companies and offer them senior positions along
with hand holding to join the TBEL turnaround team. “I must have personally
interviewed 200 people over an year before I found a fit in Parth Hor who left
Mercedez Benz to join TBEL. Similarly, we picked up the quality chief from HLL.”

**External Issues:** The external communication issues addressed at TBEL were:

**Customer related issues:** TBEL realized the Indian retailers in the US were not
showcasing TBEL products in their shelves. Entering US retail chains required
considerable amount of money. Payments for placing a product in just one store of a
chain in US ranged between US $ 5000 and US $ 10,000. Even with a narrower base
of natural food store chains, it was difficult for PBI to pay $10,000 to each of the 200
stores. (Subhadra, 2003). Analysts were claiming that the domestic market was not
ready and the past experience supported the view. TBEL had to look for viable
options to penetrate the US market and reach the consumer.

**Banking Issues:** When the new management took over, TBEL was a INR 3 mn
Company with huge losses and a zero working capital limit⁹. It needed money. “But
the Banks were themselves going through a tough time. Post liberalization, the Banks

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⁹ Presentation made by Nigam on April 19, 2002
were made accountable for NPAs and therefore not many of them were ready to take risks.

Supplier Related Issues: TBEL had to pay dues to almost every supplier and the total sum was due to the tune of INR 10 mn. "This was a fairly serious problem and the management had to build financial credibility to avoid litigation."

On the other hand, the new management had issues with the supply mechanism at TBEL. TBEL sourced vegetables from Mumbai on account of lower prices. This was spelt out as the major function that corporate office carried out at Mumbai. The new management refuted this argument and insisted on looking for Suppliers who would supply in Pune at similar prices. TBEL was thus faced with the task of identifying and retaining Suppliers. Besides, in order to meet the quality standards, TBEL had to ensure that the Suppliers supplying raw materials (such as pulses, cardamoms, spices etc.) follow appropriate cleaning and processing norms. Thus, there was need to create awareness at the supplier end as well.

The Turnaround Journey

Internal Communications at TBEL

A core value that the top management decided to adorn and resolved to ensure in TBEL was ‘to be honest and transparent. Live what you say and people will understand and follow. Infact they will contribute to further propel the cause.”

The second objective the management set for itself was to work closely with workers at the factory, enable extensive interaction with them to understand the problems and help them resolve these.

The first meeting: CEO shares the Vision: Ravi Nigam was introduced by Ashok Vasudevan in a meeting at the factory, attended by approximately 120 workers. Nigam shared with the workers, the vision of the management, the market potential of TBEL products, the need to look at the international markets and the responsibility of the workers in the process. He mentioned how they could respectfully earn the wages that the government thought they could earn.

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10 Non Performing Assets
11 Interview with Sohail Shikari, CFO TBEL on Oct 20, 2005
12 Nigam interview on Oct 20, 2005
13 Interview with Kartik Kilachand, Director TBEL on Oct 20, 2005. Interview with Nigam on Oct 20, 2005
During this meeting, the workers shared their apprehensions about the future of TBEL. “Statements such as ‘We are here because we lay the foundation stone of the Company ‘revealed to us a rare level of commitment among the workers. We continue to work with the same workforce”.

The first announcement: announcing grievance redressal to unions: After the first meeting, the directors met in the evening to consider options, an important one being how to pay the worker dues and stipulated wages especially at a time when the Company was in red? An annual calendar, defining how over a period of one year TBEL would repay all the worker’s dues and also ensure dispersal of wages rightfully deserved, was worked out. The new management therefore made the first announcement: “that there would be no salary cut; that over a period of one year all efforts would be made to raise the wages, of all the workers, to minimum wages level; that all accounting delays will be put into speedy action”. Thus, the new team in place ensured job security for all. “This instilled confidence in workers and also curtailed the hostile view that the workers held towards the new management”.

In return however, they asked the workers to commit that in years 1997-1999, they would ensure that production is not stalled for even one day. “This was to make them realize that the management could pay only if the Company made money”.

This announcement was shared by the management with the union leaders and some senior workers (a group of about 10 people) who then communicated the message to the workers. “We could do this because we had noticed that the union was not a hostile union. It was not troublesome and there had been instances in the past when they had voiced their concerns by wearing black bands etc. They could thus be trusted”.

The second announcement: Enhancing day-to-day interaction: TBEL management tried to manage the factory located at Khutbao and Bandgaon villages near Pune, from the Corporate office in Mumbai. ‘We were spending, 16 hours a day, 3 to 4 days a week, at the factory for almost four months but the factory needed more time and attention. Face to face interaction on a day-to-day basis was absolutely necessary. Simple things like understanding their needs (they need a water cooler or if a particular change could be made they could work better) could be addressed only by being there physically. In fact we wondered that if the market was in the US and the factory in Pune then what role were we playing in Mumbai?”

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14 Interview with nigam, Oct 20, 2005
Nigam decided that managing the factory from Mumbai was not feasible and that they must shift the Corporate office closer to the factory, in Pune. *This was the second major announcement.*

Shifting from Mumbai to Pune was not an easy decision to implement. There was a major resistance from the staff. Company issues such as sourcing vegetables, spices and other raw material, well developed banking relations and issues such as Mumbai being a port facilitates shipping of goods to US were some of the reasons forwarded for not shifting from Mumbai. Personal problems such as issues in changing children’s school, living in Mumbai for ages, attachment to parental home etc were voiced. But TBEL management refused to accept any such reasons.

During that period, Nigam called on Feroz Bander (a very pragmatic man according to Nigam), a Director in HLL to help him deal with the issues. *Both Nigam and Bander took several counseling sessions with the staff and their families – they visited their homes, talked to them and tried to convince them of the need to shift.*

They restructured their salary package to accommodate the shifting; *spoke to the Principals of the best schools in Pune “and thankfully the Principals also agreed to pitch in by agreeing to accommodate the children of TBEL staff”.*

From a total of eighteen that staffed the Mumbai office, three had genuine problems and TBEL helped them relocate. Others were given a choice to move with TBEL to Pune or to quit. Five of them moved, some of them offered to commute up and down daily but that was not acceptable to TBEL. So they and the rest decided to stay on in Mumbai and look for other avenues.

The management once again organized itself to take stock of the situation. They worked very closely with the workers to resolve day-to-day issues. There were several occasions, especially concerning *social issues, that called for extensive communication.* There had to be continuous interaction and a lot of talking to get the message across. “We worked 9 to 5 in the factory and 5 to 9 around the beer bar. Ravi did a wonderful job. Ashok Vasudevan and myself, both were personally involved in the process. The need was to drive the values into the moral fabric of the Company”15

**The third announcement: Sending a message on values to be imbibed:**
Typically a Company requires several kinds of licenses for different purposes. TBEL also needed boiler inspection every year. Early in the turnaround process “I got a message from the factory that the inspector’s hands need to be greased to get the

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15 Interview with Kartik Kilachand on Oct 20, 2005
inspection certificate. I realized that TBEL had to either go through the rigmorale of tedious tasks (more of harassment than inspection) listed for getting the certification or adopt the easy way out by bribing the inspector. After confirming from my people that the boiler was OK, I insisted that TBEL would neither pay any money nor go to the court. It would rather wait for the other side to file a case, if they so desire. TBEL, it was decided, will also not stop production. Rather it would arrange to get a certification of the boiler from an independent agency and if need be, ask the other party to verify the procedures in the court. There was immense pressure from all quarters but I would not budge. A few days later the inspector came in like a mouse and issued the certification. From that day onwards I did not have to bother for any kind of certification. The workers managed on their own. I believe that incidents like this, go deep into the organizational memory and play a crucial role in developing core values that a company imbibes”.

“TBEL believes that posters work well when the technical procedures have to be followed or quality processes have to be propagated. Vision and Mission are to be imbibed and that happens through extensive interaction, sharing and demonstration. We therefore depended on dialogue and discussion to have a complete buy-in and looked for opportunities to demonstrate what we said. This keeps the message alive for longer duration as it goes deep down in the thought process”.

**Bringing about social change: Talking, explaining and listening over and over again and not through a dictat:** One of the crucial interventions required at TBEL was implementation of behavioural norms and cultural changes to offer quality standards. America, its core market, is a litigious society and maintaining high standard of cleanliness was a must.

In Maharashtra, women wear big bindis on the forehead, flowers in the hair, glass bangles on the wrist and a Mungal Sutra around the neck. These are artifacts they wear from both religious and beauty point of view. The Bindi and the Mungal Sutra, according to the local culture were signs of good marital relations and families and religion demand that these be adorned regularly all the time.

“In a RTS factory these could lead to major problems. Even if one in a million bindi falls off the forehead into the food and the American consumer finds it floating in the

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16 *Bindi* is a decorative sticker worn by traditional women in India. *Mungal sutra* is a chain with black beads that a man gifts to his wife at the wedding. The wife is expected to wear it all the time till the husband is alive. Removing the *mungal sutra* is considered inauspicious.
ready to serve meal, the Company is surely heading for payment of major claims. So, these had to be done away with and this was asking for a real social change.

"The only way out was to talk to workers, in groups, over and over again. Make them see the management's point and how it could impact the work and the factory. There was a huge cry amongst the women who said that their mother-in-laws would throw them out and that these were 'suhag-artifacts' that they can't even dream of taking off. It took three to four months of patient talking and listening to workers. One fine day when I walked into the factory, I felt there was something different. I couldn't spot it initially but it troubled me. I looked around carefully and I was wonderstruck—all women had removed the big round bindi. This was a big social change. Interestingly, the men accepted the logic earlier than the women and they persuaded the women to give-in. There used to be several informal meets amongst the workers where they discussed the pros and cons of the management suggestions."

**Transparency for empowerment and decision making:** TBEL adopted a Model of Accountability which they called: D – Decide; A – Act; R – Review; E – Enhance (DARE). "According to this system, employees had a right to know what was expected of them. Then they were empowered to take a decision and act. It was repeatedly drilled that never should an action be pending for want of decision. It was alright to take a wrong decision and act - we never penalized them for a wrong decision (unless it was a grave issue violating values and principles adopted by the Company). This was because the action was to be followed by review and enhancement. So the employees learnt over a period of time."

**Create Internal Image: India's most respected Company** A concerted effort was made to identify what TBEL stood for. The management and the employees met several times to ask themselves: "Can we be India's most profitable Company? Or Can we be India's largest Company? And several such options but the answer was a clear NO. Finally we decided that we would like to be India's most respected Company (TBEL Vision Statement)." Actualizing this meant that TBEL developed an internal and external reputation.

**Develop Internal Reputation:** In 1999, TBEL hired Image Equity as their communication consultant, and developed and implemented several programmes to

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17 Interview with Juhi Raikhy on Oct 20, 2005. She had spent hours together talking to the women in the factory during that period.

18 Suhag artifacts are artifacts that indicate that a women is married. A tradition held very strongly by women in India following the Hindu religion

19 ibid 17
build a corporate culture. “AVis (A Visvanathan) played a very important role in dissemination of mission statement in the organization. There was a time when everyone, even at the shopfloor, was talking about it.”

**Fun at Work Programmes:** Under this programme, every month a group of people devised a mission for themselves. They worked out a mission statement, chalked out the method of achieving it, set deadlines for targets and then worked towards it.

“Once a group took up the ‘Are you a Bonzer project’. On another occasion, a group took the task of making presentations in leading B-Schools like Jamna Lal Bajaj, turnaround Pai Institute of Management and the likes to recruit from these institutes and also to share with them the true picture of where TBEL was headed.”

Yet another exemplary task taken by a group was ‘to make the affluent treatment plant, the disgusting part of the workplace, into the most beautiful part of the factory’. They set a budget, set the deadlines and developed a course of action. The senior managers coached them in the process and also provided all support needed to achieve the same. Many managers would go from the office and spend time digging the stuff with them, if need be. The entire company could see the management commitment behind the actions. Today, TBEL grows vegetables on that land and the entire community is proud of the achievement”.

Several other initiatives such as: Reduce Power usage, improve electro conductivity or PH level of the soil and many such programmes were taken up by the community.

Once a task was complete, TBEL made it a point to celebrate the achievements and acknowledge the contributions of the workers. “This was a very important part. After some time it became contagious and people were very enthusiastic about the entire process”.

In 1999, TBEL began celebrating, TBEL Annual Day. On this occasion, families of all the employees are invited and several activities such as drawing competition for children, games like tug of war, cycling, limited over cricket match are organized. The accompanying interesting commentary makes the event more colourful and interesting. This is followed by an award ceremony and a message from the Board wherein TBEL management posts them with developments in markets, quality standards and other developments.

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20 Nigam interview on April 5, 2006
21 ibid 20
Training was made an ongoing process. "There are 700 man-days of training done every year which works out to be roughly 6 days training for each employee". These programmes are both: skills based and attitudinal or team building kind of programmes. The latter are meant to weave a moral fabric for the company. These programmes are highly interactive. Many of them are designed and conducted internally though TBEL maintains a list of consultants for quality programmes.

To enable team building and motivation among workers and employees, TBEL along with Image Equity organized regular Management Leadership Programmes (MLPs).

Team exercises led by the consultant were organized to decide as to what attributes would connote that TBEL was India’s most respected Company? And finally, the groups identified several milestones that would connote that TBEL was moving in the right direction. Some of these were as follows:

- ICAI22 awards ‘Best Balance sheet presentation in India’ award every year. TBEL decided that if they can bag this prize they are a respected Company

- For retailing they identified the five most coveted retailing chains in the world. They decided that if they can get these chains to sell TBEL products they are a respected Company

- For recruitment: If they could recruit from one or more of students from the best B-schools or Best Technical institutes in the country then they are a respected Company

Similarly, they defined milestones for each activity to indicate what it requires to be the most respected company in the country.

Then they identified what all attributes should the company have. for instance: speed, integrity, systems ... and against each attribute they put a Company name to connote the benchmark (see Annexure 2: Benchmarks at TBEL). These, according to Nigam and Kilachand were extremely successful programmes that built motivation and team spirit and also greatly enhanced the internal image of the Company.

Investing in communication technology for future returns: In 1999 TBEL made its single largest capital investment – this was the implementation of Move-Ex ERP software. “It costed Rs 4.5 mn which was very big money for TBEL especially during that period when our turnover was INR 60 million, but we wanted to do

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22 ICAI is Institute of Chartered Accountants of India
everything world class\textsuperscript{23}. TBEL requirement was not so crucial but this was an investment for future.

However, "it was an arduous task to have the workers adopt the ERP system. Many workers in the company had never seen a computer in their lifetime. The system required changes at the very basic level. It required the data entry operators to make timely and correct entries. The data flows in a chain and there is an inbuilt rigour in the system that demanded a cultural change. Now there were no excuses for not having done a particular task for want of information. This system thus turned out to be a huge driver of accountability in the system".

"It took TBEL almost 18 months to fully implement the system but the work culture transformed. People worked overtime as benchmarks became stretch marks. Today (in 2006), \textit{ERP at TBEL is multi-locational and integrated system in the office and factory at India, Australia and the US are all online}. Though, Nigam does accept that the regular data feeding task at the ground level is still an ominous task and requires weekly and monthly interventions to take care of the backlogs\textsuperscript{24}.

\textit{There are hotlines that connect the factory and the office. In the factory there are 6 nodes that connect the office through dedicated lines. Video conferencing is yet to be enabled. TBEL management does not monitor the emails that move in and out of the organization, “though the more I think about it the more I feel the need for it”. Mobile phones have increased the speed of communication but within the factory premises the usage is not permitted for issues pertaining to quality as distraction during production hours can be very harmful.}

95% of Tastybite business comes from Indians abroad. Tasybite.com earns 8 to 10% of the business in US and Canada. The Indian techies\textsuperscript{25} buy off the site. \textit{TBEL management accepts that they have not yet fully exploited the potential that internet offers.}

\textbf{Empowerment Pays: a feedback}: When TBEL CEO suggested that TBEL office be given a facelift, some of the managers came back and advised against it asking him to be thrifty. This Nigam feels is an indicator of responsibility that comes through empowerment.

Yet another behaviour that Nigam considers a \textit{positive feedback} is the worker behaviour during times of dissonance. "There were times when issues such as salary

\textsuperscript{23} Interview with Kilachand on Oct 20, 2005
\textsuperscript{24} Interview with Nigam on April 5, 2006
\textsuperscript{25} techies
etc. did crop up. But there has never been a violent scene except once during the initial phase. Normally, the union wore black badges and workers went slow. Thereafter, the factory manager led the negotiations and resolved the issues.

**External Communication Strategy**

TBEL wanted to see itself as India’s leading food brand in the US in a span of two to three years. They decided that although they were an Indian Company, they would not restrict themselves to Indian food or Indian markets. Their approach and reach had to be global. But what they needed was money to carry out their plans.

**Arranging Finance: A major Communication effort** “Sourcing funds was a tough task. Ashok, Meera and Kartik were extensively involved in exercising their networks, talking all day and every day to BIFR, HLL and financial institutions and preparing documents to get some waivers from the banks owing to BIFR registration and to get the company deregistered from BIFR.

Arranging loans thereafter was yet another critical activity. Shikari and Hans under the guidance of Vasudevan and Kilachand met almost any banker who was ready to give them an ear. They made presentations, repeating time and again that they were betting on the future and not on the past. They asked the Bankers to evaluate their plans and if found promising, have faith on TBEL team and give them a chance.

Finally, they met a senior official in ICICI who could see promise in what TBEL team was talking and then they met various people in the bank to make their case. In 1999, TBEL got a debt funding of INR 35 million. ICICI continues to be our Banker”. What both Shikari and Nigam emphasize is that it is important not to loose hope and to continue in the face of all odds that any sick company is bound to face. Loans require high credibility and assured performance and it is for the turnaround team to make the Banks see that character and strength in them.

**Speaking the language of the Consumer:** Since the Indian retailers in US were not displaying TBEL products to give them the differentiation they sought from commodity products, TBEL decided to sell its products through the US retail chains. However, this segment was both expensive and brand conscious. TBEL therefore undertook a cluster analysis study in various US cities to narrow their focus on smaller number of chains.

To enter these chains, TBEL got both the product and its communications redesigned to suit the US customer. It realized that the average American customer was unable to
appreciate the products being offered and the names in Indian language did not make much sense. The products were thus renamed in English for instant identification and easy understanding. Thus, 'Palak Paneer' became 'Kashmir Spinach', 'Navratna Korma' became 'Jaipur Vegetables', and 'Alu Chole' became 'Bombay Potatoes' and so on.

It was important that the package designs were such that the display was 'eye-catching and attractive'. TBEL got the packaging redesigned and its logo improved upon by Charlie Buendo such that the logo was clearly visible and its location was fixed. To make the communications consistent for better brand recognition, the design of the pack was made uniform for all the ten countries where RTS meals were sold.

**Suppliers Relations:** To start with, "we had to pay dues to almost every supplier. We therefore talked to each of the suppliers individually and committed that we would pay the current bills and also a part of the previous dues with every bill cleared, over a period of one year. We confirmed that we would clear all the dues in one year and were able to do that without any litigations, within the stipulated time".

To ensure that quality of purchase met HACCP (Hazard Analysis and Critical Control Point) requirements, TBEL continuously educated the suppliers, to help them develop the quality they were looking at. A quality manager appointed to manage the supply-chain regularly visited the supplier sites to give talks and develop formats for them to fill. The quality manager therefore coordinated to ensure that the systems that the suppliers followed were similar to those followed by TBEL. "As a result, for about an year and half now, we have stopped dealing with brokers and source from one or two sole suppliers".

"We believed in building relationships and valued loyalty and transparency. Thus, we informed them of what we were looking at in the future and they in turn went the extra mile to partner with us" Kilachand preferred to classify suppliers as internal stakeholders rather than external stakeholders.

**Media:** "In August 1999, the script of TBEL reached around INR 148. This was a 42.2% increase over its price of INR 3.50 in 1996". Interestingly, till 1998 the Company was still making losses (See Chart 5.1.1). Nigam attributes the rise in share price to the sudden boom in the Bombay Stock Exchange and the heavy media reporting of the same.

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26 Charlie Buendo, a designer
27 Interview with Kilachand on Oct 20, 2005
“Since India was not a focus market, we interacted with media only for a short while – when the share market brought us into limelight”.

**Social Groups:** As it happens in all countries, there are social interest groups that are guardians of society. “Our interaction with social groups was minimal except for its interactions with one group. This was a well informed group that professed the communist agenda and always kept the workers informed of industry practices and other developments. Initially this group was much against liberalization and saw an American Company, a projection of capitalism and its ills.

However, we talked to them and remained absolutely transparent. We asked them to check for themselves the improvement in the wages, living conditions, employment status etc. and urged them to assess how TBEL was achieving less than any other communist agenda”. Ravi feels that these groups can be receptive and that transparency is the key approach. “If they can see your point they are with you”.

**Finally,** the TBEL leadership believed that “a small Company is more creative, quick and fast in communication, and thereby more nimble. It felt that it was therefore as important to retain these characteristics of a small Company as to imbibe a professional approach and scale of operation of an MNC.

**Analysis**

The case of the turnaround of TBEL supports the first stage of the theoretical framework proposed in Figure 3.1 of this study. When TBEL realized that the market in India was not ready for RTS food it decided to sell its products abroad. It attempted to further the exports by collaborating with beverage multinational Pepsi Co. but the change in government regulation impacted the latter’s interest and Pepsi Co. backed out from the joint initiative which was a setback for TBEL. These developments indicate that both TBEL and the managerial decision making in TBEL were impacted by the external environment.

Considering that in the same environment, the new management was able to revive the Company later, we may conclude that in case of TBEL, the managerial decision making caused the company’s decline. The faulty managerial decisions could be because of inadequate information or incapable managerial decision making. For instance TBEL launched RTS food assuming that the Indian market was ready for the product. Later it realized that the market was not ready for the product.

It then launched the products abroad without understanding the impact of cultural variations. Thus, we may conclude that both environment and managerial decisions at
TBEL adversely affected TBEL and the company became sick. The case thus supports Figure 3.1.

The TBEL case also supports the second stage of the framework as it illustrates how disabling forces emanating from both internal and external environment come into play when a Company is sick. In case of TBEL, the workers despite their commitment to the organization were de-motivated and casual in their approach. Political forces were active among the groups of workers and there were apprehensions about the capabilities and intentions of the new management. Workers had a laid back approach that was evident from the working conditions, quality consciousness or acceptance of red tape mechanisms.

Bankers were not inclined to trust the capabilities of the sick company, customers (the Indian retailer in the US) did not give any cognizance to its presence, suppliers were on the verge of filing suits for non-payment of dues and social activists were questioning the sanctity of motives. Thus, disabling forces were playing from all directions which is in consonance with second stage of the theoretical framework proposed.

The TBEL case also supports the third stage of the framework which proposes that the promoter/top management has to consciously take charge of the turnaround and work its way through with various stakeholders keeping the overall strategy in view. Nigam categorically mentioned the event when the TBEL management team met to decide whether they were ready to take the formidable challenge of enabling a sustainable turnaround at TBEL.

Thereafter, the new management prepared, documented and adopted a 4-C turnaround strategy. This strategy was prepared by the top management which also happened to be the Board of Directors in case of TBEL. The management did think it worth the time and effort to document the turnaround strategy. It appears therefore that documentation of turnaround plan was to confirm collective support for future action.

The CEO along with the Chairperson of the Board of Directors shared the vision of the company with all the workers, in the very first meeting. They also used the opportunity to listen to the workers to gauge their levels of commitment, motivation, worries and apprehensions.

The first issue that the new management addressed was the worries of the workers with regard to payment of their salaries and other dues. This also helped them build their credibility and some confidence into the workers. However, it is important to
note that the new management committed payment and in return demanded commitment to work to be able to make profits insisting that then and only then they will be able to make the payments. The case thus supports the proposition that the turnaround management must listen, care, exercise communication control and indicate urgency in its communications.

The case emphasizes the importance of intensive day-to-day interactions between the turnaround management and the team to the extent that TBEL shifted its corporate office from Mumbai to Pune even at the cost of loosing senior staff members of the TBEL team. However, even at this stage they demonstrated careful listening to the incumbents and the extra efforts, needed to talk to the families, arrange school admissions for their children and adjust salary structures. But no amount of excuses could hold the management back from its decision. The case thus additionally demonstrates the need to filter genuine problems from insignificant ones and respond to each individually as per the need. The importance of listening is demonstrated over and over again whether it had to do with resolving day-to-day problems such as arranging a water cooler or modifying a working technique or it had to do with major issues as the social change required to ensure quality. The case further supports the highlighting of critical incidents that send messages into the memory of an organization. In case of TBEL this happened when the management insisted on not bribing the inspector in face of age-old tradition of acceptance of red tape and fear of litigation. Once the management was able to demonstrate its will to establish certain values, the event played a critical role in shaking the value system and changing the culture of the organization.

In consonance with the proposed model, the case also demonstrates that it is important to translate the mission of an organization into specific goals for employees to understand and achieve. At TBEL this was done through the Fun at Work programme wherein the mission was jointly worked out and benchmarks were identified to specify goals. Besides these obvious gains, the process greatly contributed in mobilizing the workers to build a future for themselves. The case also demonstrates the need for transparency to truly enable empowerment and the need for empowerment for accountability.

As regards the external communication strategy, the case supports the framework only partially. While it does mention that extensive documentation was required to be done to satisfy BIFR and to get waivers that a sick company could get owing to governmental support, it does not indicate similar stance for customers or suppliers.
In case of customers, TBEL shifted focus from the erstwhile customer base to a new customer base and began the process almost afresh. The case demonstrates the need to understand its market and consumer very intricately. It did not develop the industry wisdom with its current employees. Infact it instituted a research study to gain a thorough understanding and plan accordingly. The case also does not indicate the need to brief customers on its problems or strengths or to include them in developing a turnaround strategy. Similarly, in case of suppliers the case does not support the recommendation of including suppliers in designing a turnaround strategy though it does indicate the need to build financial credibility and long term relations through continuous interactions backed by supporting action.

Although TBEL had media interactions that contributed towards increase in TBEL share prices, the company did not pursue it as part of turnaround strategy. Infact, Nigam mentioned that since India was not a focus market they did not pursue media interactions beyond what came as a surprise to them. Thus TBEL case does not purport media interaction as a communication action for turnaround.

However, the case does indicate a need to maintain a transparent and direct contact with social activist groups to dislodge any misconceptions that they might have towards the organization’s motives or actions.

TBEL case strongly supports the need to invest in enhancing communication technologies as it invested heavily and reaped benefits in ways more than it had expected. As regards the ERP package Nigam goes to the extent of calling it the second major development (the other being the turnaround itself).

Framework 5.1

The Match between the CS for OTA framework and the Communication strategy of TBEL during turnaround.

<table>
<thead>
<tr>
<th>Stakeholder/ Turnaround Element (objective)/</th>
<th>Theoretical Pattern</th>
<th>Case Pattern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Possible Communication Action</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Board of Directors

1.1. Gain support and time in the future

1.1.1. Present detailed turn-around plan

NEW - Newly Identify

No — Don't Know
2. **Staff and Employees**

2.1. **Credibility building actions by the new management**

2.1.1. Document, and communicate a strategic turnaround plan

2.1.2. Publicize success in resolving a current crisis or problem

2.1.3. Make decisions transparent

2.1.4. Exercise Communication Control

2.2. **Initial Control**

2.2.1. Order preparation of daily, weekly and monthly cash forecasts

2.2.2. Exercise Communication Control.

2.2.3. Seek views on the general well being of the employees.

2.3. **Mobilization of organization for turnaround**

2.3.1. Include key managers for development of industry wisdom

2.3.2. Include only key managers for development of vision

2.3.3. CEO should deliver the vision presentation in person and as often as possible.

2.3.4. Hold special sessions for non-participating managers after vision has been developed to share planned vision

2.3.5. Inject urgency in the communications plan. Explain what needs to be done and why

2.3.6. Listen to the views of all managers. Gauge their reaction

2.3.7. Understand perceptions and focus minds of managing team. Set the scene for turnaround.

2.3.8. Ensure all employees know what is going on, for what reason and how it will occur.

2.3.9. Share the pulpit (Empowerment)

2.3.10. Deal with concerns of employees in open and honest manner. Offer Follow up sessions

2.3.11. Note any comments or queries and provide answers asap.

2.3.12. CEO must get out of the office to interact with the employees and to listen to them

2.3.13. Employ open ended communication style that encourages employees to find answers, take decisions.

2.3.14. Repeatedly affirm the Company's mission, core values, and the primary goals of profit and growth.

2.3.15. Articulate a few highly concrete targets for the company for the next few months

2.3.16. Involve the staff to identify solvable problem areas and have their views on uninvolved areas.

2.3.17. Rephrase people's roles to clarify managerial responsibilities.

2.3.18. Top managers must emphasize on integrity, fairness, hard work, resourcefulness and concern for the staff during interactions with the staff.

2.3.19. Publicize and celebrate every employee and team success.
2.4. **Internal Co-ordination**

2.4.1. Offer constant feedback to keep organization on track

2.4.2. Set up co-ordination committees for co-ordinating interdependent departments

2.4.3. Institute a monthly performance review meeting of all senior managers chaired by the chief executive.

2.4.4. Insist that lower level disputes be settled at that level on a face to face basis

2.4.5. Keep the atmosphere light.

2.4.6. Keep enhancing communication technology – email, mobile, ERP

---

3. **Unions**

3.1. **Negotiation of support of Unions and neutralization of Unions’ pressures**

3.1.1. Brief unions on the problems and strengths of the unit and some tentative turnaround plan.

3.1.2. Get them to suggest turnaround steps

3.1.3. Seek support, concessions etc. from the unions

3.1.4. Evolve jointly a broad turnaround strategy

3.1.5. Keep unions posted on the progress of the turnaround

---

4. **Banks and Financial Institutions**

4.1. **Negotiation of support of Banks and/or FIs and neutralization of Banks and/or FIs pressures**

4.1.1. Brief Banks and/or FIs on the problems and strengths of the unit and some tentative turnaround plan

4.1.2. Get them to suggest turnaround steps

4.1.3. Seek support, concessions etc. from Banks and/or FIs

4.1.4. Evolve jointly a broad turnaround strategy

4.1.5. Keep Banks and/or FIs posted on the progress of the turnaround

---

5. **Government**

5.1. **Negotiation of support of Government and neutralization of Government pressures**

5.1.1. Brief relevant government departments on the problems and strengths of the unit and some tentative turnaround plan.

5.1.2. Get them to suggest turnaround steps

5.1.3. Seek support, concessions etc. from the government

5.1.4. Evolve jointly a broad turnaround strategy

5.1.5. Keep the government posted on the progress of the turnaround
6. Suppliers

6.1. Negotiation of support of suppliers and neutralization of suppliers’ pressures

6.1.1. Brief suppliers on the problems and strengths of the unit and some tentative turnaround plan.

6.1.2. Get suppliers to suggest turnaround steps

6.1.3. Seek support, concessions etc. from suppliers

6.1.4. Evolve jointly a broad turnaround strategy

6.1.5. Keep suppliers posted on the progress of the turnaround

6.2. Build credibility

6.2.1. Commit payments to build credibility

6.3. Ensure desirable quality of supplies

6.3.1. Educate supplier for better quality and quantity

7. Customers

7.1. Negotiation of support of customers and neutralization of customers’ pressures

7.1.1. Brief customers on the problems and strengths of the unit and some tentative turnaround plan.

7.1.2. Get customers to suggest turnaround steps

7.1.3. Seek support, concessions etc. from customers

7.1.4. Evolve jointly a broad turnaround strategy

7.1.5. Keep customers posted on the progress of the turnaround

7.2. Ignore current market and find a new market (customers)

7.2.1. Design communications to suit customer/ consumer needs and tastes

7.2.2. May rename products

7.2.3. May redesign packaging

7.2.4. May redesign logo

7.2.5. Make communications consistent

7.2.6. Build brand image

7.2.7. Train people on cross cultural communication

7.3. Sourcing industry information for quick cost reduction

7.3.1. Increase costs incurred on communication technologies, if need be, for sourcing industry (market) information

7.4. Revenue Generation

7.4.1. Have much more focused advertising and promotion

7.4.2. Build Brand Image

8. Social Activist Groups

8.1. Gain support and neutralize pressures

8.1.1. Maintain transparent and direct contact
Validating the propositions

Proposition P_{1A}: Every company that undergoes a turnaround would necessarily have to address some of the communication objectives given in the framework though not necessarily all.

10 of the 12 objectives listed in the framework were addressed by the TBEL management during the turnaround phase of TBEL. Although communication action (1.1.1) for one of the objectives (1.1) is found in the description of the case, the objective of the action is not clear. However, one of the communication objective (7.1) was not a communication objective for TBEL.

Thus, the turnaround of TBEL supports Proposition P_{1A} as it addressed some (most) of the communication objectives given in the framework but not all of them.

Proposition P_{1B}: The list of communication objectives given in the proposed theoretical framework is comprehensive.

10 of the 12 communication objectives proposed in the framework were addressed in TBEL. Four new objectives addressed in TBEL and not mentioned in the proposed framework were

1. Build credibility among suppliers (6.2)
2. Ensure desirable quality and quantity of supplies (6.3)
3. Shift from current market to a new market (7.2)
4. Maintain a transparent and direct contact with social activist groups (8.1)

Thus, we notice that while there is a considerable overlap of the empirical findings of TBEL case with suggested pattern of communication objectives, there are differences too.

The case of the turnaround of TBEL therefore does not support Proposition P_{1B} as the conformance to the framework is high though not complete. Thus, we may say that the list of communication objectives in the framework proposed is certainly suggestive though not comprehensive.

Proposition P_{2A}: Every company that undergoes a turnaround would necessarily have to address some of the critical stakeholders given in the framework.

Framework 5.1 indicates that TBEL management addressed all the 7 stakeholders listed in the proposed theoretical framework.

It thus supports Proposition P_{2A}.
Proposition \( P_{3B} \): The list of critical stakeholders to be addressed during a turnaround is comprehensive.

TBEL in addition to addressing the 7 critical stakeholders suggested in the proposed framework, addressed an additional critical stakeholder, namely social activist group. (For the purpose of this study, if the management has identified a communication objective for any stakeholder, it may be considered as a critical stakeholder).

The TBEL case therefore suggests that the list of critical stakeholders proposed in the framework is not comprehensive. It thus does not support Proposition \( P_{3B} \).

Proposition \( P_{3A} \): At least one of the communication actions listed in the proposed theoretical framework is employed to realize a corresponding communication objective during turnaround.

Framework 5.1 reveals that TBEL adopted some of the communication actions of all objectives identified in the framework and addressed by TBEL. However, there were some objectives that were not listed but addressed by TBEL (6.2, 6.3 and 7.2) and one that was listed but not addressed (7.1) by TBEL. With the exception of these, all objectives were addressed and communication actions listed thereof were found to have been adopted by TBEL. These findings support Proposition \( P_{3A} \).

Proposition \( P_{3B} \): The list of communication actions recommended for achieving the communication objectives is comprehensive

Framework 5.1 indicates that TBEL employed 41 communication actions from the list of 60 communication actions listed in the theoretical framework proposed. It did not employ 11 communication actions listed while information on 8 actions was not made available to the researcher. However, Framework 5.1 also indicates 11 new communication actions (6.2.1, 6.3.1, 7.2.1, 7.2.2, 7.2.3, 7.2.4, 7.2.5, 7.2.6, 7.2.7, 7.4.2, 8.1.1) adopted by TBEL management during the turnaround.

Thus, the turnaround of TBEL does not support Proposition \( P_{3B} \) as it indicates that list of communication actions recommended for achieving the communication objectives is not comprehensive.
Case 2

EMPEE SUGARS AND CHEMICALS LTD.

Deciphering Communication during Turnaround

Background

Empee Sugars and Chemicals Ltd. was originally incorporated as Raghav Sugars (P) Ltd. in 1988. After its public issue in 1990, Empee Distilleries held 51.09% shares in its paid up capital and became the holding Company of Raghav Sugars (P) Ltd. which was renamed as Empee Sugar and Chemicals Ltd. Later, Empee Distilleries Ltd. retained only 40% shares of Empee Sugar and Chemicals Ltd. and ceased to be the holding company. M Sreenivasulu Reddy and Sudhakar Reddy promoted the project and MP Purushothaman, a promoter of Empee Distilleries, got associated with the project.

The Company set up a sugar factory for manufacture of white crystal sugar with a crushing capacity of 2500 TCD at Naidupet in Andhra Pradesh\(^\text{28}\). However, in the year 1995 the Company incurred losses of INR 101 mn and its networth became INR (7.8) mn. It remained negative till 1999 but turned positive in year 2000. By 2003, the networth of the Company had increased to INR 147mn. (source Prowess V2.0: Centre for Monitoring Indian Economy Pvt. Ltd.).

Table 5.2.1: ESCL performance during 1995-2005; turnaround in 2000

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross sales (INR in mn)</td>
<td>299</td>
<td>366</td>
<td>527</td>
<td>440</td>
<td>390</td>
<td>384</td>
<td>364</td>
<td>359</td>
<td>644</td>
<td>928</td>
</tr>
<tr>
<td>Net worth (INR in mn)</td>
<td>-78</td>
<td>-29</td>
<td>-27</td>
<td>-9</td>
<td>26</td>
<td>104</td>
<td>109</td>
<td>147</td>
<td>147</td>
<td>101</td>
</tr>
</tbody>
</table>

\(^{28}\) Andhra Pradesh is a state located in the South of India.
External Issues

**Government Policies:** In India, Sugar and Sugarcane were essential commodities under the Essential Commodities Act 1955. Government of India followed policy of partial control and dual pricing for sugar. Under this policy, a certain percentage of sugar produced by sugar factories was requisitioned by the Government as compulsory levy at a price fixed by Government in every sugar season. The levy sugar was distributed through the Public Distribution System (PDS). The non-levy, free sale sugar was allowed to be sold as per the quantity released by the Government under the free sale sugar release mechanism. The compulsory levy obligation of sugar factories until year 2000 was 40% of total production\(^{29}\). (Department of Food and Public Distribution, Directorate of Sugar website)

"Like all other sugar mills, we were also incurring losses because there was no means of making profits. The government decided the price at which the raw material was to be bought, it also decided the price at which it had to be sold\(^{30}\)."

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\(^{29}\) Under this obligation a sugar manufacturer had to sell 40% of its produce to the Government of India at a pre-determined price determined by the Government of India.

\(^{30}\) Interview with R Chandramohan, Senior Vice President ESCL on December 3, 2005
**Banks:** Chandramohan felt that the biggest challenge was to handle the banks. “They were reluctant to lend money to us and money was a critical requirement”.

**Suppliers:** “Since groundnut and paddy crop yielded two to three times in an year, the farmer preferred it over sugarcane that yielded once an year. There was a need to develop suppliers to produce more sugarcane as the demand for finished product was more than the available raw material”.

**Unraveling the turnaround**

**Govt lifts control:** “Since the government lifted its controls, the industry began to blossom and Empee Sugar and Chemicals Ltd. also therefore started doing well. Until some time back, sugar was sold at Rs 10,000 a ton and now the same sugar is sold at Rs 16,000 a ton. Naturally the company is now able to recover its costs and make profit. The turnaround may therefore be attributed to the government policies for the industry rather than any operational changes brought into the running of the Company”.

A study of the policies of Government of India (see annexure 1) reveals that the Essential Commodities Act which had been implementing levy system for 42 years was revised several times over after 1997. The policy changes reduced control by reducing the compulsory levy obligation from 40% in 2000 to 10% in the Year 2002. Similarly several measures were taken to promote export of sugar while imports were discouraged. (See Table 5.2.2)

**Table 5.2.2: Policy changes in sugar industry post 1997**

<table>
<thead>
<tr>
<th>Policy Change</th>
<th>With effect from date/ Price in INR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year 1997</strong></td>
<td></td>
</tr>
<tr>
<td>Export of sugar decanalised</td>
<td>15th January, 1997</td>
</tr>
<tr>
<td><strong>Year 1998</strong></td>
<td></td>
</tr>
<tr>
<td>Whole sale price of non-levy sugar</td>
<td>1333-1620 per quintal</td>
</tr>
<tr>
<td>Retail Price of Sugar</td>
<td>15.00-17.50 per kg</td>
</tr>
<tr>
<td>Basic Custom Duty on imports increased from zero to 5%</td>
<td>27.4.1998</td>
</tr>
<tr>
<td><strong>Year 1999</strong></td>
<td></td>
</tr>
<tr>
<td>Whole sale price of non-levy sugar</td>
<td>1326-1700 per quintal</td>
</tr>
<tr>
<td>Retail Price of Sugar</td>
<td>14.00-18.00 per kg</td>
</tr>
<tr>
<td>Basic Custom Duty increased from zero to 20% and by end of year to 40%</td>
<td>14.1.1999</td>
</tr>
<tr>
<td>reintroduced the system of release mechanism on imported</td>
<td>December 1999</td>
</tr>
<tr>
<td>Policy Change</td>
<td>With effect from date/ Price in INR</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>------------------------------------</td>
</tr>
<tr>
<td>sugar</td>
<td></td>
</tr>
<tr>
<td><strong>Year 2000</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Levy reduction</strong> from 40% to 30%</td>
<td>Jan 1, 2000</td>
</tr>
<tr>
<td>Whole sale price of non-levy sugar</td>
<td>128.5-165.0 per quintal</td>
</tr>
<tr>
<td>Retail Price of Sugar</td>
<td>14.00-17.50</td>
</tr>
<tr>
<td>SMP (Statutory Minimum Price) of Sugarcane</td>
<td>59.50 per quintal</td>
</tr>
<tr>
<td>Basic Custom Duty increased from 40% to 60%</td>
<td>9 Feb 2000</td>
</tr>
<tr>
<td>levy obligation imposed on the importers</td>
<td>17.2.2000</td>
</tr>
<tr>
<td><strong>Year 2001</strong></td>
<td>February 1, 2001</td>
</tr>
<tr>
<td><strong>Levy reduction</strong> 15%</td>
<td>February 1, 2001</td>
</tr>
<tr>
<td>Levy sugar supply under the PDS (Public Distribution System) has been restricted only to the BPL (Below Poverty Line) families in all states /UTS except the North Eastern States, Hill States and Island Territories. The minimum per head per month quantum of levy sugar allotted under the PDS was increased from 425 gms to 500 gms The Monthly levy quota under the PDS for various states /UTS with effect from is 2.16.Lakh Tonnes.</td>
<td></td>
</tr>
<tr>
<td>Clearances to 3 proposed exchanges given in principle. Trading from two exchanges has already commenced.</td>
<td>May 2001</td>
</tr>
<tr>
<td>Whole sale price of non-levy sugar</td>
<td>1285-1630 per quintal</td>
</tr>
<tr>
<td>Retail Price of Sugar</td>
<td>13.60-17.50 per kg</td>
</tr>
<tr>
<td>SMP (Statutory Minimum Price) of Sugarcane</td>
<td>62.05 per quintal</td>
</tr>
<tr>
<td>Quantitative ceiling on Export of Sugar removed. Registration-Cum-Allocation Certificates (RCAC) by APEDA not required. Export Release Order by Directorate of Sugar required</td>
<td>1.4.2001</td>
</tr>
<tr>
<td><strong>Year 2002</strong></td>
<td>March 1, 2002</td>
</tr>
<tr>
<td><strong>Levy reduction</strong> 10%</td>
<td></td>
</tr>
<tr>
<td>Release of non levy free sale sugar</td>
<td>1625 per quintal</td>
</tr>
<tr>
<td>All-India levy sugar price</td>
<td>INR.1259.99 per quintal</td>
</tr>
<tr>
<td>Retail price of levy sugar under the PDS INR 13.50 per kg</td>
<td>March 1, 2002</td>
</tr>
<tr>
<td>Whole sale price of non-levy sugar</td>
<td>1130-1575 per quintal</td>
</tr>
<tr>
<td>Retail Price of Sugar</td>
<td>12.30-16.00 per kg</td>
</tr>
<tr>
<td>SMP (Statutory Minimum Price) of Sugarcane</td>
<td>69.50 per quintal</td>
</tr>
<tr>
<td><strong>Year 2003</strong></td>
<td>June 2003</td>
</tr>
<tr>
<td>The Essential Commodities Act, 1955 amended. No producer, importer or exporter of sugar shall sell or otherwise dispose of</td>
<td></td>
</tr>
</tbody>
</table>
### Policy Change

<table>
<thead>
<tr>
<th>Description</th>
<th>Date/ Price in INR</th>
</tr>
</thead>
<tbody>
<tr>
<td>or deliver any kind of sugar except under and in accordance with the direction issued by the Government</td>
<td></td>
</tr>
<tr>
<td>Release of non levy free sale sugar</td>
<td>1483.8 quintal</td>
</tr>
<tr>
<td>All-India levy sugar price</td>
<td>Increased from INR 1259.99 to 1305.92 per quintal</td>
</tr>
<tr>
<td>Whole sale price of non-levy sugar</td>
<td>1271-1800 per quintal</td>
</tr>
<tr>
<td>Retail Price of Sugar</td>
<td>13.00-20.00 per kg</td>
</tr>
<tr>
<td>SMP (Statutory Minimum Price) of Sugarcane</td>
<td>73.00 per quintal</td>
</tr>
<tr>
<td>Year 2004</td>
<td></td>
</tr>
<tr>
<td>Export promotion scheme rescinded</td>
<td>June 21, 2004</td>
</tr>
</tbody>
</table>

(source: prepared from information given by Directorate of Sugar at [www.fcamin.nic.in/dfid](http://www.fcamin.nic.in/dfid))

**Investment of Personal Equity:** “To begin with, the promoters brought in a personal equity of INR 250 mn to pay the debts and that brought the Company’s networth from negative to positive. *Though the communication strategy was not documented, communication is important for carrying out any business. We had regular meetings with the Chairman to strategize and decide how we take the business ahead*”.

**External Communication at ESCL**

**Banks:** “*The ESCL Chairman had regular meetings with the Bank’s chairman and the financial management team with the General Managers of the Banks. So communication channels were operating at all levels to convince the Banks. Presentations had to be made to make them understand the problems at the field level and the plans to address these problems*.”

**Suppliers:** “Since groundnut and paddy crop yield two to three times in an year, the farmer prefers it over sugarcane that yields once an year. Therefore the farmers have to be given subsidy in the form of seed, fertilizer etc. to encourage them to grow more sugarcane. With such measures, ESCL is still trying to improve the raw material supplies to be able to achieve optimum utilization of their plants. *The procurement team has to therefore meet the farmers and explain the facilities offered to them.*

**Government:** The government in India decides how much sugar can be sold in the open market. “We therefore have to send requests to the government to permit release of larger quantities of sugar. Since it comes in the purview of the central government
usually written communication is resorted to. *In case of more urgent tasks face to face communication is what we need to resort to*.

**Industry Associations:** “We are a member of the Sugar Mills Association and we participated in meetings both in Hyderabad and Chennai to keep track of events and developments of the industry”.

**International Agencies:** ESCL did not have to interact with any International agencies for any of its business operations.

**Media Relations:** “ESCL kept the media posted with its issues and developments on a regular basis. There was a separate department that managed media relations”.

**Internal Communication Strategy**

**Employees:** “The demoralized employees were tackled at the unit level through informal group meetings. These were held at all levels – with the engineering cadre, the field employees or the top position employees. We explained to them their role in shaping the future. The employees could see that if they did not cooperate the company would collapse and so they would lose employment. Since, the industry was not doing well there was no other place to move to also. Thus, getting workers was not a major problem. Even if we could get 60% workforce, the work would roll on.”

**Communication Technology Interventions:** *Everyone at ESCL had a terminal on the desk and the broadband surfing facility was available to all. ESCL was planning to implement ERP software at the time of the interview. “All senior executives have a mobile phone and that has improved the speed of communication. The SMS technology is not employed for any business/marketing purposes”.*

Training is not part of the mandate. *Internet surfing is used extensively to keep track of markets though the ESCL website was not a focus area for enhancing business operations.*

**Analysis**

The case of the turnaround of ESCL indicates that owing to the policies of the Government of India, ESCL as an organization became sick. Also, with the change in government policies, it recovered and turned around later. It thus supports the first proposition that environment has an impact on organizations and organizations change with changes in the environment. It however indicates that sometimes the impact of environment on organization is so strong that it renders the impact of
managerial decision making inconsequential. The case of the turnaround of ESCL thus confirms the first stage of the theoretical framework proposed and displayed in Figure 3.1.

Further, Chandramohan asserts that the reason for sickness of the Company was the policies of the Government of India and thus there were no means to make profits. The Banks were hostile. The farmers (suppliers) were not interested in producing the raw material as it reaped no benefits. Thus, disabling forces were exerted by the three external stakeholders (government, banks and suppliers) when the Company became sick. However, the case does not attribute the failure to any of the internal reasons and does not indicate any enabling/disabling forces emanating from internal stakeholders. Thus, the case of the turnaround of ESCL partially confirms the second stage of the theoretical framework suggested.

The prowess data studied as part of this research indicated that four sugar companies had turned sick during the period 1995 to 2005 and two of these four recovered during this period. The BIFR data reveals that a total of 28 Sugar companies were registered sick during 1995 to 2005 but none has been deregistered as a healthy unit. (Although ESCL turned sick, it was not referred to the BIFR). While Chandramohan mentioned that all sugar mills were sick earlier and that with change in government policies these mills are reviving, this data does not support the argument. As is evident from this data, there were other sick companies that have not turned around despite changes in the government policies. This finding therefore indicates that while Chandramohan might attribute the turnaround entirely to changes in government policies (external environment), data suggests otherwise. It would therefore be appropriate to maintain that the proposition of the theoretical framework that management has to play a central role and manage stakeholders to enable a turnaround is correct.

The final stage of the theoretical framework suggests that the turnaround managements adopt formal or informal communication strategies for each stakeholder. The turnaround of ESCL indicates that no formal strategy was worked out although for all communications emanating from the Company, the management and the Chairman were working and discussing management of ESCL communications very closely. Therefore, communication strategy was an evolutionary process and not a documented strategy. Since the management does not attribute turnaround to managerial actions, therefore it refused to elaborate on communication objectives addressed and communication actions taken there of.
Since our data collected from secondary sources indicates that ESCL management did play a central role in enabling the turnaround, we believe that the management did take managerial actions; it did identify communication objectives for critical stakeholders and it did employ appropriate communications actions, in consonance with the Figure 3.3 to enable a turnaround. However, it was unable to articulate its actions and hence unable to share these with the researcher. Thus, the case of ESCL definitely supports a part of the Figure 3.3 (that management played a central role in turnaround) but it leaves room for doubt for the other part (addressing communication objectives for each stakeholder through communication actions) though it cannot be said that it does not support this part. The pattern of communication actions as identified from the ESCL case study are given in Framework 5.2 below.

Framework 5.2
The Match between the CS for OTA framework and the Communication Strategy of ESCL during turnaround

<table>
<thead>
<tr>
<th>Stakeholder/ Turnaround Element (objective)/</th>
<th>Possible Communication Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>1. Gain support and time in the future</td>
</tr>
<tr>
<td></td>
<td>1.1. Present detailed turn-around plan</td>
</tr>
<tr>
<td>Staff and Employees</td>
<td>2.1. Credibility building actions by the new management</td>
</tr>
<tr>
<td></td>
<td>2.1.1. Document, and communicate a strategic turnaround plan</td>
</tr>
<tr>
<td></td>
<td>2.1.2. Publicize success in resolving a current crisis or problem</td>
</tr>
<tr>
<td></td>
<td>2.1.3. Make decisions transparent</td>
</tr>
<tr>
<td></td>
<td>2.1.4. Exercise Communication Control</td>
</tr>
<tr>
<td>Initial Control</td>
<td>2.2. Order preparation of daily, weekly and monthly cash forecasts</td>
</tr>
<tr>
<td></td>
<td>2.2.1. Exercise Communication Control.</td>
</tr>
<tr>
<td></td>
<td>2.2.3. Seek views on the general well being of the employees.</td>
</tr>
<tr>
<td>Mobilization of organization for turnaround</td>
<td>2.3. Include key managers for development of industry wisdom</td>
</tr>
</tbody>
</table>

119
2.3.2. Include only key managers for development of vision

2.3.3. CEO should deliver the vision presentation in person and as often as possible.

2.3.4. Hold special sessions for non-participating managers after vision has been developed to share planned vision.

2.3.5. Inject urgency in the communications plan. Explain what need to be done and why.

2.3.6. Listen to the views of all managers. Gauge their reaction.

2.3.7. Understand perceptions and focus minds of managing team. Set the scene for turnaround.

2.3.8. Ensure all employees know what is going on, for what reason and how it will occur.

2.3.9. Share the pulpit (Empowerment).

2.3.10. Deal with concerns of employees in open and honest manner. Offer follow-up sessions.

2.3.11. Note any comments or queries and provide answers asap.

2.3.12. CEO must get out of the office to interact with the employees and to listen to them.

2.3.13. Employ open-ended communication style that encourages employees to find answers, take decisions.

2.3.14. Repeatedly affirm the Company's mission, core values, and the primary goals of profit and growth.

2.3.15. Articulate a few highly concrete targets for the company for the next few months.

2.3.16. Involve the staff to identify solvable problem areas and have their views on uninvolved areas.

2.3.17. Rephrase people's roles to clarify managerial responsibilities.

2.3.18. Top managers must emphasize on integrity, fairness, hard work, resourcefulness and concern for the staff during interactions with the staff.

2.3.19. Publicize and celebrate every employee and team success.

2.3.20. Vision and mission statements were conveyed and displayed.

2.4. Internal Co-ordination

2.4.1. Offer constant feedback to keep organization on track.

2.4.2. Set up co-ordination committees for coordinating interdependent departments.

2.4.3. Institute a monthly performance review meeting of all senior managers chaired by the chief executive.

2.4.4. Insist that lower level disputes be settled at that level on a face to face basis.

2.4.5. Keep the atmosphere light.

2.4.6. Keep enhancing communication technology - email, mobile ERP.
3. Unions

3.1. Negotiation of support of Unions and neutralization of Unions' pressures

3.1.1. Brief unions on the problems and strengths of the unit and some tentative turnaround plan.

3.1.2. Get them to suggest turnaround steps

3.1.3. Seek support, concessions etc. from the unions

3.1.4. Evolve jointly a broad turnaround strategy

3.1.5. Keep unions posted on the progress of the turnaround

4. Banks and Financial Institutions

4.1. Negotiation of support of Banks and/or FIs and neutralization of Banks and/or FIs pressures

4.1.1. Brief Banks and/or FIs on the problems and strengths of the unit and some tentative turnaround plan

4.1.2. Get them to suggest turnaround steps

4.1.3. Seek support, concessions etc. from Banks and/or FIs

4.1.4. Evolve jointly a broad turnaround strategy

4.1.5. Keep Banks and/or FIs posted on the progress of the turnaround

4.1.6. Educate concerned bank officials on working of business/industry

5. Government

5.1. Negotiation of support of Government and neutralization of Government pressures

5.1.1. Brief relevant government departments on the problems and strengths of the unit and some tentative turnaround plan.

5.1.2. Get them to suggest turnaround steps

5.1.3. Seek support, concessions etc. from the government

5.1.4. Evolve jointly a broad turnaround strategy

5.1.5. Keep the government posted on the progress of the turnaround

7. Suppliers

7.1. Negotiation of support of suppliers and neutralization of suppliers' pressures

7.1.1. Brief suppliers on the problems and strengths of the unit and some tentative turnaround plan.

7.1.2. Get suppliers to suggest turnaround steps

7.1.3. Seek support, concessions etc. from suppliers

7.1.4. Evolve jointly a broad turnaround strategy

7.1.5. Keep suppliers posted on the progress of the turnaround

7.1.6. Educate supplier for better quality and quantity

NEW
9. Customers

9.1. Negotiation of support of customers and neutralization of Customer's pressures

9.1.1. Brief customers on the problems and strengths of the unit and some tentative turnaround plan.

9.1.2. Get customers to suggest turnaround steps

9.1.3. Seek support, concessions etc. from customers

9.1.4. Evolve jointly a broad turnaround strategy

9.1.5. Keep customers posted on the progress of the turnaround

9.2. Sourcing industry information for quick cost reduction

9.2.1. Increase costs incurred on communication technologies, if need be, for sourcing industry (market) information

9.3. Revenue Generation

9.3.1. Have much more focused advertising and promotion

10. Industry Association

10.1. Voice concerns to government through Industry Association

10.1.1. Actively participate in association meetings

Validating the propositions

**Proposition P_{1A}:** Every company that undergoes a turnaround would necessarily have to address some of the communication objectives given in the framework though not necessarily all.

Framework 5.2 indicates that ESCL management addressed 7 (2.3, 4.1, 5.1, 6.1, 7.1, 7.2, 7.3) of the total of 12 communication objectives listed in Framework 3.2 of theoretical framework proposed inchapter3. 3 communication objectives (1.1, 2.1, 3.1) listed in the theoretical framework proposed were not addressed by the ESCL management while information on 2 communication objectives (2.4, 2.2) was not shared with the researcher.

It is evident therefore that ESCL addressed some of the communication objectives given in the framework but not all. The case of the turnaround of ESCL therefore supports Proposition P_{1A}.

**Proposition P_{1B}:** The list of communication objectives given in the proposed theoretical framework is comprehensive.

Framework 5.2 indicates that while ESCL addressed 7 communication objectives (2.3, 4.1, 5.1, 6.1, 7.1, 7.2, 7.3) listed; did not address 3 communication objectives (1.1, 2.1, 3.1); and did not provide information on 2 communication objectives (2.4,
2.2), it did address an additional communication objective (8.1 - Voice concerns to government through Industry Association) that was not listed in the theoretical framework proposed.

The case of the turnaround of ESCL therefore does not support Proposition $P_{1B}$ as it indicates that the list of communication objectives in the theoretical framework proposed is suggestive and not comprehensive.

**Proposition $P_{2A}$:** Every company that undergoes a turnaround would necessarily have to address some of the critical stakeholders given in the framework.

Framework 5.2 indicates that ESCL management addressed all the 7 stakeholders listed in the proposed theoretical framework.

It thus supports Proposition $P_{2A}$.

**Proposition $P_{2B}$:** The list of critical stakeholders to be addressed during a turnaround is comprehensive.

Framework 5.2 indicates that ESCL management addressed communication objectives set for 6 stakeholders (Employees, Banks and FIs, Government, Suppliers, Customers) listed in the theoretical framework. Thus, it had to deal with 5 critical stakeholders. However, top management’s objectives vis-à-vis Board of Directors are not known. However, the mention of a new critical stakeholder (Industry Association) is noticed. This stakeholder was not included in the theoretical framework suggested in this study.

Thus, the turnaround of ESCL does not support the Proposition $P_{2B}$ as it indicates that the list of critical stakeholders proposed in the theoretical framework is not comprehensive.

**Proposition $P_{3A}$:** At least one of the communication actions listed in the proposed theoretical framework is employed to realize a corresponding communication objective during turnaround.

Framework 5.2 indicates that for each of the 7 communication objectives addressed by ESCL management during turnaround, it employed at least 1 communication action from the listed communication actions for that objective in the theoretical framework. However, for 1 objective (7.3 - revenue generation), the theoretical framework proposes only one communication action (7.3.1 - Have much more focused advertising and promotion). ESCL did not provide any information on whether it employed this communication action for the said objective or not. In the
absence of availability of information, we may derive our conclusion on the basis of the information available for the other 5 communication objectives addressed by ESCL management during turnaround.

Thus, the case of turnaround of ESCL supports Proposition $P_{JA}$ as it confirms that at least one of the list of communication actions recommended in the theoretical framework must be employed to realize the corresponding communication objective.

**Proposition $P_{JB}$:** The list of communication actions recommended for achieving the communication objectives is comprehensive

Framework 5.2 indicates that ESCL employed 18 communication actions from the list of 60 communication actions listed in the theoretical framework proposed. It did not employ 7 communication actions listed while information on 35 actions was not made available to the researcher. However, Framework 5.2 also indicates 4 new communication actions (2.3.20 - Vision and mission statements were conveyed and displayed; 4.1.6 - Educate concerned bank officials on working of business/industry; 6.1.6 - Educate supplier for better quality and quantity; 8.1.1 - Actively participate in association meetings) adopted by ESCL management during the turnaround.

Thus, the case of turnaround of ESCL does not support Proposition $P_{JB}$ as it indicates that list of communication actions recommended for achieving the communication objectives is not comprehensive.
Case 3

AMRIT BANASPATI COMPANY LTD.

Deciphering Communication during Turnaround

Background

Amrit Banaspati Company Ltd. (ABCL) was established in 1940 to manufacture hydrogenated oil, more commonly known as ‘vanaspati ghee’ in India. The first manufacturing facility was set up in Ghaziabad\(^1\) and in 1968 edible oil operations were expanded by putting up a plant in Rajpura\(^2\). In 1980s, it expanded the product-mix to include edible refined oils along with ‘vanaspati’. In 1989, ABC Paper, a division of ABCL was set up at Sailakhurd in the state of Punjab, 108 kms from Chandigarh\(^3\). ABC paper is a wood free paper plant that uses agro-wastes like wheat, husk, rice-straw, kana grass etc. to manufacture printing and writing paper\(^4\). “In 1989, there was a short supply of milk. So we thought that Soya milk could be a viable alternative and so we invested INR 200 mn to set up a plant for Soya milk production. Perhaps that was the beginning of the downfall\(^5\).”

The performance of ABCL started declining. Its networth declined from INR 229.2 mn in 1996 to INR -138.9 mn in 2000. Consequently, the Company was declared a sick industrial undertaking by BIFR in 1997. The networth of ABCL further eroded to INR -232.8 mn in 2002 but the performance started to pick-up thereafter and in 2003 the networth became positive. The results of ABCL have since been improving. (See Table 5.3.1 and Chart 5.3.1). By 2005, the networth of ABCL had risen to INR 369.8 mn, an all time high in its 65 years of existence.

Table 5.3.1: Performance of ABCL during 1995-2005; turnaround in 2003

<table>
<thead>
<tr>
<th></th>
<th>Amrit Banaspati Co. Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross sales (INR in mn)</td>
<td>4976</td>
</tr>
<tr>
<td>Net Worth (INR in mn)</td>
<td>229</td>
</tr>
</tbody>
</table>

\(^1\) an industrial town in Uttar Pradesh, a northern state of India  
\(^2\) a city located in Punjab, a northern state of India  
\(^3\) Chandigarh is the capital of Punjab, a state located in the north of India.  
\(^4\) ABCL 63\(^{rd}\) Annual Report 2003-2004  
\(^5\) Interview with AK Bajaj on October 21, 2005
Unraveling the turnaround

External Issues

Government policies: India’s new economic policy was launched in June 1991. The government began to liberalize the economy by reforming trade, financial, tax and investment policies. Public enterprises were restructured and the budget controlled more closely. Specific policy reforms included abolishing most industrial licensing, removing import licensing, reducing tariffs and relaxing foreign investment regulations. Ashwini Bajaj, Managing Director, ABCL in his interview shared the impact of this liberalization on ABCL. He stated, “Post liberalization it became difficult for ABCL to operate a vanaspati plant in UP. The labour cost in UP was very high. Electricity was expensive. To add to these woes, UP government gave sales tax exemption to new units for 5 years” (Ashwini Bajaj, personal communications, October 21, 2005). As a result, several new units like Suraj Banaspati, Super Banaspati & others came up while old players such as Modi and HLL had to close down. ABCL also, due to several players, high cost of production, tax exemptions to new units and low profit margins, became in-competitive.

Health of the Paper Industry: The domestic paper industry was broadly classified into writing & printing paper, industrial paper, and specialty paper. ABCL operated in the writing and printing paper segment which accounted for nearly 40%
of the total paper and paper board consumption (ABCL Annual Report 2003-2004). In 1996 came a worldwide downturn in the paper industry. This was a usual dip in the cyclic market but ABCL started making losses.

**Arranging Finance:** In 2002-03, ABCL’s debt payable to the Banks was to the tune of INR 743.66 mn and that to the Financial institutions was INR 435.76 mn (ABCL Annual Report 2002-2003). “Since, several companies were going through a rough patch at that time, even the banks didn’t know how much to believe and how much to probe, It was therefore extremely tough to convince the Banks or gain their confidence.”

**Customer Blues:** The cultivated oilseeds and edible oils, from all domestic sources, were never able to meet the demand in the country. (See Table 5.3.2 for figures of 1996-2001)

**Table 5.3.2: Demand/availability of edible oils during 1996-2001**

<table>
<thead>
<tr>
<th>Oil Year (November – October)</th>
<th>Production of Oilseeds [In Lakh Tonnes]</th>
<th>Net availability of edible oils from all domestic sources</th>
<th>#Demand of Edible Oils [In Lakh Tonnes]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-1997</td>
<td>243.80</td>
<td>70.90</td>
<td>85.06</td>
</tr>
<tr>
<td>1997-1998</td>
<td>213.20</td>
<td>60.32</td>
<td>72.98</td>
</tr>
<tr>
<td>1998-1999</td>
<td>247.48</td>
<td>69.61</td>
<td>95.83</td>
</tr>
<tr>
<td>1999-2000</td>
<td>208.70</td>
<td>61.07</td>
<td>103.03</td>
</tr>
<tr>
<td>2000-2001</td>
<td>182.00</td>
<td>54.54</td>
<td>94.29 (Est.)</td>
</tr>
</tbody>
</table>

# Demand has been taken as net availability of edible oils from domestic sources + import of edible oils.

**Source:**

(ii) In respect of net availability of edible fats from all domestic sources & demand edible oils: Directorate of Vanaspati, Vegetable Oils & Fats.

The low production of oil was owing to the shortfall in availability of raw material. So much so that most of the units were underutilized. (See Table 5.3.3)

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36 Ibid 35
<table>
<thead>
<tr>
<th>Type of Vegetable Oil Industry</th>
<th>No. of Units</th>
<th>Annual Capacity (Lakh MT)</th>
<th>Average Capacity Utilisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oilseed Crushing Units</td>
<td>1,50,000 (Approx.)</td>
<td>425 (In terms of Seeds)</td>
<td>10-30%</td>
</tr>
<tr>
<td>Solvent Extraction Units</td>
<td>766</td>
<td>360 (In terms of Oil-bearing Material)</td>
<td>44%</td>
</tr>
<tr>
<td>Refineries attached with Vanaspati</td>
<td>100</td>
<td>10</td>
<td>40%</td>
</tr>
<tr>
<td>Refineries attached with Solvent Extraction Plant</td>
<td>200</td>
<td>12</td>
<td>35%</td>
</tr>
<tr>
<td>Independent Refineries (RU / Edible)</td>
<td>500</td>
<td>25</td>
<td>30%</td>
</tr>
<tr>
<td>Total Refineries</td>
<td>800</td>
<td>47</td>
<td>35%</td>
</tr>
<tr>
<td>Vanaspati Units</td>
<td>226</td>
<td>40 (In terms of Vanaspati)</td>
<td>35%</td>
</tr>
</tbody>
</table>

*Source: Directorate of WO&F*

**Thus,** the characteristics of the domestic Vegetable Oil industry were as follows:-

The capacity utilisation of oilseeds crushing units (both in the small scale sector and in the organised sector) varied from an average of 10% for ghanis (small scale sector) to around 30% in case of expellers in the organised sector. However, consequent upon de-licensing of the vegetable oils industry there was unrestricted growth in the industry. This creation of capacity was not at all incommensurate with availability of raw materials. This coupled with the obsolete technology that was commonly employed resulted in very low margin because of stiff competition, inefficiency of operations etc. Owing to the dependence of these units on the import of raw material, the cost of which therefore depended on the customs duty, the nature of the trade was speculative. (Department of Food and Public Distribution System, www.fcamin.nic.in/dfid)

In the Pre-liberalization era, the licensing policy empowered the manufacturers / suppliers. They could make money, if they had acquired the license for operation. “In ABCL, both the management and the executives were used to having distributors
queue up for supplies. Customers' opinions were, therefore, not a concern. Post liberalization, the scene changed. Suddenly there were plenty of manufacturers / suppliers and distributor queues vanished. ABCL was in a new reality that it had to accept to initiate a renewed process of marketing and sales. But ABCL was not prepared mentally to accept these new realities (Ashwini Bajaj, personal communications, Oct 21, 2005).

**Supplier-related issues:** As can be noted from Table 5.3.2, the raw material for producing vanaspati and edible oil was in short supply in the domestic market. Increased number of edible oil and vanaspati producers further enhanced the scarcity. Production facilities were thus dependent on import of raw material from neighboring countries like Nepal and Sri Lanka. (Department of Food and Public Distribution System, www.fcmai.nic.in/dfid, May 1, 2006). This was not an issue till the government ensured supplies and also the sales. However, in the changed environment, companies like ABCL had to compete to get the raw material as well.

**Other Stakeholders:** There were no issues pertaining to shareholders, industry associations, international agencies or media.

**Internal Issues**

**Closing Down the Gaziabad unit:** As mentioned earlier, post 1991, running the Vanaspati plant in UP had become a loss making proposition for ABCL. However, ABCL management took seven years to realize that the changed market realities were there to stay. Thus, in 1998, ABCL management decided to shut down the factory at Gaziabad. “This was a very difficult decision to make and accept, as this unit was the first unit set up by ABCL and it had reaped huge profits in the past. The emotional attachment to the unit was thus high” (Ashwini Bajaj, personal communications, Oct 21, 2005). But by 1998, it was making losses. ABCL management decided to shift the entire capacity of Gaziabad unit to its unit at Rajpura and to consequently relieve the labour employed at Gaziabad.

**Resistance to change: an organizational issue:** The culture at ABCL did not promote innovation and change. Customer orientation was completely missing. The Company continued to operate as it had always done. for almost a decade, the management continued to bask in past glory and took no cognizance of the changed reality post liberalization.

ABCL employees were also comfortable doing what they had been doing all along. “For instance pushing one button and after 15 minutes pushing another button. They
were habitual to that routine and to change, for example to make a new product, they had to make an effort to change. This was a difficult task (Ashwini Bajaj, personal communications, October 21, 2005)". There was an undefined resistance to change. Suddenly, superficial problems clouded their minds. The management was thus faced with the task of not only asking them to change but asking them to accept the fact that this was not the last change – that continuous change was the new reality.

**External Communications at ABCL**

**Preferring veterans for interactions with Government:** Since the companies in the sector depended on imports of raw material from neighbouring countries, the import policy of the country which was undergoing continuous changes, post 1995, was an been important concern. For instance, the custom duty on various Crude Edible Oil except Soyabean Oil, was raised with effect from 1.3.2001. The duty on refined oils was also raised except in the cases of refined Soyabean Oil and refined Mustard Oil where the duties were maintained as they were. (Information from Directorate of Food and Public Distribution System, www.fcamin.nic/dfid May 2, 2006). Though the respondents did not mention any communication strategy that they had adopted for interactions with the Government, the annual report 2002-2003 does indicate a conscious decision that ABCL took to induct GN Mehra as a regular Director on the board of Directors of ABCL. The report states: “Shri³⁷ G.N. Mehra is a retired bureaucrat having wide ranging experience in administration and industrial development. Shri Mehra has had distinguished career as a member of the Indian Administrative Service. He held top positions in the Government of India as Secretary in the Ministry of Industry, Information and Broadcasting etc. He was the Chief Secretary to the UP state government besides being industries commissioner in UP and Chairman PICUP. He was also associated with the management of various public sector companies ..........Of his career with the Government spanning 37 years, Shri Mehra has spent 20 years in the field of industrial development and management. ....... The Board of Directors felt that experience, expertise and image will be of immense value to the Company in speedy revival and, therefore, recommended his appointment. (62nd Annual Report 2002-2003, pp 6)”. The emphasis on the experience of GN Mehra fetching him the Director’s position in the Company does indicate that such experience, expertise and image carried value for the company. There is, therefore, a reasonable probability that ABCL might have

³⁷ salutation used in the local language
adopted an informal (if not formal) communication strategy to interact with the government.

**Persistent presentation of good records personally: build credibility and divert precipitating situations:** ABCL was a company with a history. Ashwini Bajaj claimed that it had been a good client for their Banks, all along. However, by late 1990s it was making losses and their need for both a Working Capital debt and a Long Term debt was urgent.

To start with, the ABCL management drew the Banking officials’ attention to the past records to build ABCL’s credibility. They repeatedly made presentations to different banks to highlight facts and figures, their plans and the changes that they could foresee. "Convincing the banks was the toughest part. We had to listen to a lot of harsh words and still keep high spirits and keep talking. We shared the real situation personally at many levels. Several banks mentioned to us that in many other cases the representatives of the companies have made presentations that didn’t work. But when the promoters present the case themselves, it helps. Even if the Banks were hard with us, the personal appearance ensured that the situation did not precipitate" (Ashwini Bajaj, personal communications, Oct 21, 2005).

During this phase, ABCL witnessed in Banks all kinds of approaches – from professional to laid back, from understanding to truly harsh. But they received immense support from the Punjab National Bank, which had been their banker from their good times. This benefited them in negotiations with other Banks as well. However, Bajaj emphasized that besides paying back the debt in time, ABCL also kept meeting the Banking officials at several levels to keep them abreast of the situation. This convinced the Banking officials that ABCL was clear in its dealings. Once the credibility was rebuilt, it was an easy sail.

**Building brands and selling niche products:** With production capacities exceeding far beyond the actual production in India, margins on commodity products were getting squeezed. ABCL therefore diversified into niche products and seriously approached marketing of these products. The product basket included edible oil, margarine, mayonnaise, packed ice-cream and the likes. They also started concentrating on institutional sales such as those to Nestle, McDonalds etc.

In the paper business as well, ABCL added new products to its portfolio. The company started to sell branded paper. They began looking at types of paper, at market needs and at developing the products accordingly.
Internal Strategy

A downfall of almost 10 years forced ABCL management to accept that the new business realities were there to stay. However, Ashwini Bajaj accepted that they took a long time to accept the change.

Labour negotiations: Closing down the plant at Ghaziabad

It was obvious even to the workers that the unit at Gaziabad was making losses. When the management decided to close the unit permanently, the workers had no choice; they had to go. “ABCL management decided to adopt an open and honest approach to the labour negotiation for settlement of dues. This meant that the company had to commit resources at a time when it was running short of funds. This was a tough call but a step to strengthen the image & reputation of the group as one that follows the right path in an honest & just manner” (A.K. Tyagi, Chief Executive Officer, personal communications, Oct 21, 2005).

The second strategy adopted during negotiations was that all meetings were held with all the workers and not just the Union leader. This was to ensure that there was no scope for miscommunication.

Tyagi and two unit heads along with the management were involved in the negotiation process. Thirteen to fourteen meetings were held with the entire labour community so that the communication was clear and each of the workers heard what the management had to say.

In the first meeting the management made the announcement. They shared that they were incurring losses and so they had to close the unit as they had no other choice. They also committed in the very first meeting that they will give the workers the money due to them legally. “We told them that ABCL was an ethical organization and would continue to be so. Also, we knew that in first meeting they could digest just that much”, says Tyagi.

In the second meeting, discussion on what were their legal rights was initiated. Both parties presented what they had found and understood of the process and demands. These discussions consumed four to five meetings before a mutual consensus was reached.

During this period, the labour went to government offices, sometimes created nuisance to harass the management, to ask for a rise of three times. “Even if you are legally right it is important that you present your case” says Tyagi. ABCL
management team made presentations to several authorities or entities such as the Labour commissioner, the DM office etc. Through these presentations the ABCL representatives made it clear that they were doing what was legally expected from them. "We told them that this is what your act says & we are giving compensation accordingly. Then if the labour approaches them, what could they do. If the Labour Commissioner is satisfied, then he tells the labour that they can’t help any more. The labour may approach the Administration - say the DM office – where also ABCL had already made presentations to clarify their stand” says Tyagi.

There were instances of harassment as well. Once the labour locked up the raw material at one of the depots. Since these were perishable goods the damage had to be controlled immediately. So ABCL sought help from the police to access it. “Sometimes one has to employ force to get the way” laments Tyagi.

One or two meetings followed where the labour demanded that they be given more than their legal rights. “So we gave at least what was legally their rightful and in some cases more than is what was legally stipulated. These were on the spot decisions.”

Tyagi had been with ABCL since 1987 and the closure happened between 1998 to 2000. “Every one knew me and we were attached to each other. This helped in resolving the issues. Since the management was not asking us to carry out any unethical orders so it wasn’t very difficult.”

Once the terms were settled, the legal department came into picture. The job of management was over then. The legal department prepared papers and got them processed.

Making of a learning organization: Fortunately, there was no retrenchment at Rajpura though thinking & cultural change had to be ensured. It was important to get the employees to understand that they must think of the consumer demands. The management therefore set out explaining to them not just the new routine but also the fact that those were not the end of the changes and the changes would keep on going happening. So the need to keep themselves open to change was emphasized over and over again. Because of the closing down of the Gaziabad plant, a fear lingered - that if they do not adapt then the Rajpura plant could also meet the same fate. “It is sad but that made them adapt to change faster” (Ashwini Bajaj, personal communications, October 21, 2005).
New people were also recruited. These were professionals in their fields and that also brought in the desired cultural change.

The Quality department was separated from the R & D (new) department though they worked in tandem to develop teamwork. Later the Company also went in for ISO certification. Extensive training was given in ISO system to *document SOPs, all processes and procedures*. It involved training the employees on standard procedures, auditing the system and then retraining them to develop requisite skills. “ISO is not so much for quality as it is being used for knowledge management. It ensures that systems are followed and *processes are documented* and that auditing and monitoring is continuous” (Ashwini Bajaj, personal Communications, October 21, 2005)

The plant in Ghaziabad is highly automated and the systems are sealed. ABCL gets milk in tankers and the milk is checked against standards at the receiving point. Thereafter, the entire process is automated. Therefore training for quality of product was not a very major issue in Ghaziabad.

When ABCL started to supply dairy products to Mc Donalds, HACCP (Hazard Analysis and Critical Control Point) was introduced. To implement HACCP management began talking to the employees. “We had to make them understand the advantages and the fact that Institutional buyers are big customers and their requirements had to be met.” In the Ghaziabad plant only 30-35 people were involved. The automated parts were not so difficult to handle. But getting people to record data was important". Extensive training was given. A technologist came down from UK and trained them. *Since most of the employees were graduates (there were only a few casual workers but they were not involved in the process) it was easier to communicate and make them see the benefit of the change implemented.*

*Training* is an ongoing process at ABCL. Training programs were organized at least once in six months. Sometimes these were done by internal senior members. “Initially, there was a lot of inhibition in talking to anyone outside the company. The ‘I know it all attitude’ was there. Now, it is different. We are more open. We realize that we will learn more by exchanging ideas.

However, the HR department functions more like a personnel department. They are involved with unit heads in recruitment and in fulfilling of training needs. The company faces no retention issues.
Communication Technology: Promising a future

ABCL also extensively employed technology to enhance communication and process flow in the Company. Internet and email were used extensively. LAN within the unit was set up (though different units are still not linked through satellite).

At Rajpura, the products required an extensive distributor and depot system. The products moved from the factory to the depot to the distributor. Therefore, a SAP system was implemented. The factory and all the depots (around 35) were SAP enabled. ABCL aims to SAP enable all the distributors, spread in North India – Punjab, Haryana, UP, Rajasthan, Himachal, J&K, MP, Delhi.

“But SAP implementation took us a long time. We started using it but then there were issues. Since the flexibility level was very little it bound one to do things in time. If one person did not make a particular entry, several others were affected which on the surface was a constraint but in effect it was a good thing as it ensured accountability. It took us almost three years to really get grips on it”, says Ashwini Bajaj.

“Implementation of SAP was the second real change that happened in the company, the first one being adapting oneself to change itself. Adapting to SAP was in effect adapting to discipline” he added.

SAP implementation was an investment of more than a crore rupees. “At that moment it was fully operational only in the edible oil unit because the need in this unit was higher. In other units the number of customers are not so many and hence the process of learning is relatively slow” acknowledged Ashwini Bajaj.

The process was indeed tedious. Despite their resolve, sometimes even the top management wondered whether they did the right thing to adopt it. However, acknowledged Ashwini Bajaj, it was definite that once it is operational it is a big boon for an organization that has many SAQs (the no. of variable units). For instance, ABCL is selling Vanaspati in polypack, in tins, in various sizes, at different pricing for different states and then different varieties of these products. Therefore, there is a big matrix which is to be managed. On the receiving end different kinds of oils, their timing especially because these are perishable items have to be managed. If you stock more in a depot from where the stuff is not getting lifted then the dead inventory is lost money as these are perishable products. ABCL did have manual systems but SAP enabling has made these more efficient and more accountable. However, the matrix is not so large for dairy products and hence SAP is not such an urgent need.
**Firm action: Sending a strong message:** “In India there is a general nature to take it easy. But the management has to make it clear where the buck stops, *that the excuses will not lead you anywhere. ABCL believes that it is important to be honest and blunt and to take firm action*”.

“For instance, if a person is supposed to deliver and I get to know from my customer that he/she has not done the job as desired, I would check. If that person is making ten excuses to wriggle out, I will tell him that that is not acceptable. I will also tell him that this was your last chance and next time it will not be accepted. We have set such examples in the company by taking stern action even to the extent of asking them to leave” confirms(ed Ashwini Bajaj.

**Communication Technology issues:** ABCL adopted a cautious approach to adopting technological changes. For instance, at ABCL one would not notice a computer every table. Even the MD’s desk didn’t have one! This is because ABCL installed terminals in common area (EDP department). These computers are time shared by people. “Whoever needs to work, goes to the terminal to do the job. If a person’s job is to feed data only for 15 minutes why does he need a separate terminal? For instance, at the entry gate a computer is provided to enter data and no internet facility is provided there. So data flows in but no more facility than that is available because the guy doesn’t need it. So we are conservative to that extent” (Ashwini Bajaj, personal communications, October 21, 2005)

ABCL is thus updating technology but the enhancement is need based. “*We also believe that it is good for people to move around. We encourage that as it builds team environment. If computers are provided at each point then people don’t move and less interaction results*”.

In the Rajpura unit, each member in marketing department or accounts department has a terminal. However, in Ghaziabad marketing team is very small and we have few institutional customers so the marketing activity or distribution activity is very limited.

However, for edible oil, the sales executive is booking orders in the retail market, getting orders from retail shops - *so he is generating data which if sent to the office instantly, through handheld device with internet facility, will make the data more accurate and timely*. The sales executive is generating a lot of data on paper which reaches the office in about a weeks’ time. If that can be real time probably ABCL can benefit. So *ABCL is planning to give the communication facility to each sales*
executive. Thus, where ever there is a need, ABCL is adopting communication technology.

SMS technology is becoming a money earning system for many marketing oriented companies. ABCL is not using it currently. “However, we are thinking of how we can use this marketing activity where one does not incur much cost. Involving people in a gaming activity is a worthwhile proposition to consider as a business opportunity opened by the current developments in communication technology.

**Feedback System:** ABCL tried setting up suggestion boxes but it didn’t work. What they began to receive were ambiguous messages that had more to do with individual issues rather than work related issues. So they stopped paying any heed to the process.

*Management Review meeting* was held once a quarter and was a meet of the unit head, department head and if need be anyone else from the unit. We have divided all the functional issues of the company into various types

- Social
- Training
- New production
- R & D
- Quality
- Marketing feedback
- Personnel issues

which are reviewed and then recorded. So all good things, issues, their remedies, responsibilities and timing are recorded and followed up in the next meeting. Each point is coded so that no point is missed out.

**Focus Groups:** ABCL also initiated the process of focus group meetings. It has four focus groups to focus on issues related to plant parameters or standards to be met, quality issues, distribution issues and social accountability issues.

These groups meet once in 15 days or more. These are inter-functional groups from various levels.

**Management Meetings:** NK Bajaj Chairman and CMD and J K Khaitan MD (based in Chandigarh; took care of the business in Punjab – the Rajpura plant & the paper plant) Ashwini Bajaj managed the food division (dairy business), corporate
affairs (taxation and finance) and the real estate business. The three met twice a month at top level to ensure coordination and overall direction for the company.

Each unit had a professional unit head. The MD reviewed each unit with their respective unit heads on an ongoing basis. The management talked to the unit heads and then to unit heads and departments together and then they in turn to talked to the workers.

The generic message is that honesty is a must and that change is inevitable and you better adapt it.

**Analysis**

Post 1991, when the Government of India initiated the process of change (liberalization) through policies such as de-licensing, varying import and export policies, concessions for promoting new players in the industry etc., ABCL failed to recognize the impact of these policies. In fact, it took its management almost ten years to realize that the policy changes had brought in a new reality and to survive in this new reality it was imperative for organizations to not just change but to adopt a culture that supports change on a continuous basis. The management’s inertia to accept this new paradigm resulted in the downfall of the Company, to the extent that it turned sick. Thus, as suggested in Figure 3.1, the environment impacted the organization. However, owing to the blindness to impact of environmental changes, faulty managerial decisions were made that eventually led to the decline of ABCL. Thus, the case of the turnaround of ABCL supports the first stage of the theoretical model proposed in this study and given in Figure 3.1.

When the Company was sick, both external and internal stakeholders were exerting disabling forces on the sick organization. for instance, the government policies such as supporting new players through tax exemptions were putting ABCL to a disadvantage in an already competitive, low margin industry. The Banks doubted the financial credibility of a veteran client with good records! The customer (distributors) that used to ‘queue up’ vanished. On the other hand neither the promoters cum management nor the employees took an early initiative to give cognizance to the changing environment or the losses incurred by the Company, thereby exerting disabling forces on the sick Company. However, the case does not suggest that any disabling forces were exerted by the Industry Associations or NGOs or media or any other stakeholder. Thus, this case strongly supports the second stage of the theoretical framework given in Figure 3.2.
During the turnaround of ABCL, it was only when the management accepted the fact that the changed economic environment was a real time phenomena – there to stay, that the process of turnaround got initiated. Thereafter, it got down to the task of identifying the problems and the strategy to address the same. for instance, ABCL realized that it could not have the government policies changed and it was difficult for it to function in the then prevailing competition. It therefore decided to close down the unit at Ghaziabad. It also decided to shift focus to niche products and identify new markets for itself. Similarly, it identified objectives for interaction with the banks and despite all hindrances and rebuke invested persistent effort to achieve their objectives. This required repeated interactions at various levels and hence several communications actions (as tabulated in Framework 5.3). Well informed communication actions with various stakeholders thus enabled the turnaround elements that in turn ensured an organizational turnaround at ABCL. Thus, the turnaround of ABCL strongly supports stage 3 of the theoretical model given in Figure 3.3.

**Framework 5.3**

*The Match between the CS for OTA framework and the communication strategy of ABCL during turnaround*

| Stakeholder/ Turnaround Element (objective)/ Possible Communication Action |
|-----------------------------|---------------------------------|---------------------|
| **1. Board of Directors**   | **1.1. Gain support and time in the future** | √                  |
|                             | **1.1.1. Present detailed turn-around plan** | ×                   |
| **2. Staff and Workers**    | **2.1. Credibility building actions by the new management** |     |
|                             | **2.1.1. Document, and communicate a strategic turnaround plan** | ×                   |
|                             | **2.1.2. Publicize success in resolving a current crisis or problem** | ×                   |
|                             | **2.1.3. Make decisions transparent** | √                   |
|                             | **2.1.4. Exercise Communication Control** | √                   |
| **2.2. Initial Control**    | **2.2.1. Order preparation of daily, weekly and monthly cash forecasts** | —                   |
|                             | **2.2.2. Exercise Communication Control.** | √                   |
|                             | **2.2.3. Seek views on the general well being of the employees.** | ×                   |
2.3. **Mobilization of organization for turnaround**

2.3.1. Include key managers for development of industry wisdom

2.3.2. Include only key managers for development of vision

2.3.3. CEO should deliver the vision presentation in person and as often as possible.

2.3.4. Hold special sessions for non-participating managers after vision has been developed to share planned vision

2.3.5. Inject urgency in the communications plan. Explain what needs to be done and why

2.3.6. Listen to the views of all managers. Gauge their reaction

2.3.7. Understand perceptions and focus minds of managing team. Set the scene for turnaround.

2.3.8. Ensure all employees know what is going on, for what reason and how it will occur.

2.3.9. Share the pulpit (Empowerment)

2.3.10. Deal with concerns of employees in open and honest manner. Offer Follow up sessions

2.3.11. Note any comments or queries and provide answers asap.

2.3.12. CEO must get out of the office to interact with the employees and to listen to them

2.3.13. Employ open ended communication style that encourages employees to find answers, take decisions.

2.3.14. Repeatedly affirm the Company’s mission, core values, and the primary goals of profit and growth.

2.3.15. Articulate a few highly concrete targets for the company for the next few months

2.3.16. Involve the staff to identify solvable problem areas and have their views on uninvolved areas.

2.3.17. Rephrase people’s roles to clarify managerial responsibilities.

2.3.18. Top managers must emphasize on integrity, fairness, hard work, resourcefulness and concern for the staff during interactions with the staff.

2.3.19. Publicize and celebrate every employee and team success.

2.3.20. **Exercise Control on Communication Technology** *NEW*

2.4. **Internal Co-ordination**

2.4.1. Offer constant feedback to keep organization on track

2.4.2. Set up co-ordination committees for co-ordinating interdependent departments

2.4.3. Institute a monthly performance review meeting of all senior managers chaired by the chief executive.

2.4.4. Insist that lower level disputes be settled at that level on a face to face basis

2.4.5. Keep the atmosphere light.
2.4.6. Keep enhancing communication technology – email, mobile, ERP

3. Unions

3.1. Negotiation of support of Unions and neutralization of Unions' pressures

3.1.1. Brief unions on the problems and strengths of the unit and some tentative turnaround plan.

3.1.2. Get them to suggest turnaround steps

3.1.3. Seek support, concessions etc. from the unions

3.1.4. Evolve jointly a broad turnaround strategy

3.1.5. Keep unions posted on the progress of the turnaround

3.2. Managing retrenchment of a dying unit NEW

3.2.1. Address all the workers directly and together to avoid misunderstandings and rumours NEW

3.2.2. Quantity of information shared at a time should be controlled and based on capacity of recipients to absorb it NEW

3.2.3. Make it clear to the workers that the management would ensure a fair deal for them NEW

3.2.4. Let a manager who has dealt with workers and enjoys their goodwill handle the negotiations NEW

4. Banks and Financial Institutions

4.1. Negotiation of support of Banks and/or FIs and neutralization of Banks and/or FIs pressures

4.1.1. Brief Banks and/or FIs on the problems and strengths of the unit and some tentative turnaround plan

4.1.2. Get them to suggest turnaround steps

4.1.3. Seek support, concessions etc. from Banks and/or FIs

4.1.4. Evolve jointly a broad turnaround strategy

4.1.5. Keep Banks and/or FIs posted on the progress of the turnaround

5. Government

5.1. Negotiation of support of Government and neutralization of Government pressures

5.1.1. Brief relevant government departments on the problems and strengths of the unit and some tentative turnaround plan.

5.1.2. Get them to suggest turnaround steps

5.1.3. Seek support, concessions etc. from the government

5.1.4. Evolve jointly a broad turnaround strategy

5.1.5. Keep the government posted on the progress of the turnaround
5.2. Managing retrenchment of dying unit

5.2.1. Proactively, keep all relevant government officials and departments, posted on the fair deal being offered to workers to be retrenched

6. Suppliers

6.1. Negotiation of support of suppliers and neutralization of Supplier's pressures

6.1.1. Brief suppliers on the problems and strengths of the unit and some tentative turnaround plan.
6.1.2. Get suppliers to suggest turnaround steps
6.1.3. Seek support, concessions etc. from suppliers
6.1.4. Evolve jointly a broad turnaround strategy
6.1.5. Keep suppliers posted on the progress of the turnaround

6.2. Sourcing industry information for quick cost reduction

6.2.1. Increase costs incurred on communication technologies, if need be, for sourcing industry (market) information

7. Customers

7.1. Negotiation of support of customers and neutralization of Customer's pressures

7.1.1. Brief customers on the problems and strengths of the unit and some tentative turnaround plan.
7.1.2. Get customers to suggest turnaround steps
7.1.3. Seek support, concessions etc. from customers
7.1.4. Evolve jointly a broad turnaround strategy
7.1.5. Keep customers posted on the progress of the turnaround

7.2. Sourcing industry information for quick cost reduction

7.2.1. Increase costs incurred on communication technologies, if need be, for sourcing industry (market) information

7.3. Revenue Generation

7.3.1. Have much more focused advertising and promotion
7.3.2. Build Brand Image

Validating the propositions

Proposition P1A: Every company that undergoes a turnaround would necessarily have to address some of the communication objectives given in the framework though not necessarily all.

Framework 5.3 reveals that ABCL management addressed 8 (2.1, 2.2, 2.3, 2.4, 4.1, 5.1, 7.2, 7.3) of the 12 communication objectives but did not address 4 communication objectives (1.1, 3.1, 6.1, 7.1) listed in the theoretical framework proposed.
Thus, the turnaround of ABCL supports Proposition $P_{1A}$ as it confirms that ABCL management addressed some (most) of the communication objectives given in the framework though not all.

**Proposition $P_{1B}$**: The list of communication objectives given in the proposed theoretical framework is comprehensive.

Framework 5.3 reveals that ABCL management addressed 8 (2.1, 2.2, 2.3, 2.4, 4.1, 5.1, 7.2, 7.3) of the 12 communication objectives but did not address 4 communication objectives (1.1, 3.1, 6.1, 7.1) listed in the theoretical framework proposed.

It also indicates that there were 2 new communication objectives (3.2, 5.2) addressed by ABCL management during the turnaround and therefore the list of communication objectives proposed suggestive but not comprehensive. Therefore, the turnaround of ABCL does not support Proposition $P_{1B}$.

**Proposition $P_{2A}$**: Every company that undergoes a turnaround would necessarily have to address some of the critical stakeholders given in the framework.

Framework 5.3 reveals that ABCL management considered 5 of the 7 stakeholders listed in the proposed theoretical framework as critical.

It thus supports Proposition $P_{2A}$.

**Proposition $P_{2B}$**: The list of critical stakeholders to be addressed during a turnaround is comprehensive.

Framework 5.3 reveals that ABCL management considered 5 of the 7 stakeholders listed in the proposed theoretical framework as critical. The 2 stakeholders not earmarked as critical in the table were Board of Directors and suppliers. This was because the group of promoters and the Board of Directors were largely overlapping. The promoters therefore played the central role of the top management in enabling the turnaround. As regards the suppliers, the ABCL management categorically mentioned that there were no issues faced with the suppliers (JC Rana, ABCL, email communications, 11 April 2006). Also, ABCL management addressed no stakeholder other than those listed in the proposed theoretical framework.

Thus, it is noted that the list of critical stakeholders given in the proposed framework was found to be comprehensive. The turnaround of ABCL thus support Proposition $P_{2B}$.  

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Proposition $P_{3,a}$: At least one of the communication actions listed in the proposed theoretical framework, is employed to realize a corresponding communication objective during turnaround.

Framework 5.3 reveals that, of the 8 communication objectives given in the theoretical framework and addressed by ABCL management to deal with the 5 critical stakeholders, the company employed at least one communication action to achieve the corresponding communication objective.

Thus, for the turnaround of ABCL at least one of the communication actions listed was adopted to address corresponding communication objective. Thus it supports Proposition $P_{3,a}$.

Proposition $P_{3,b}$: The list of communication actions recommended for achieving the communication objectives is not comprehensive

Framework 5.3 reveals that the ABCL management adopted 28 communication actions, did adopt 27 communication actions and did not provide information on 5 communication actions listed in the proposed theoretical framework. It also indicates that 7 new communication actions (2.3.20 - Exercise Control on Communication Technology, 7.3.2 – Build Brand Image; 3.2.1, 3.2.2, 3.2.3, 3.2.4, 5.2.1) were adopted by the ABCL management during the turnaround of ABCL.

Thus, turnaround of ABCL does not supports Proposition $P_{3,b}$ as it indicates that the list of recommended communication actions given in the proposed theoretical framework is not comprehensive.
Case 4

VEGETABLE PRODUCTS LTD.
Deciphering Communication during Turnaround

Background

Vegetables Products Ltd was established in 1946. It set up a facility for the production of hydrogenated oil, popularly called vanaspati in the local Indian language, at Kolkata, the capital of West Bengal state in India. It was promoted by the Tantia group till 1995. However, by 1994 the company had begun incurring losses, was declared a sick company and referred to the BIFR. In 1995-96, the current management bought it from the Tantia group and took upon itself the task of reviving the ailing Company.

The financial data of the Company reveals that the networth of the company declined from INR -4.2 mn in 2001 to INR -5.58 mn in 2002. It then turned around in year 2002 when its networth became INR 2 mn. By 2004 its networth was declared to be 33.9 mn (See Chart 5.4.1)

Table 5.4.1: Performance of VPL during 2000-2005; turnaround in 2003

<table>
<thead>
<tr>
<th>Vegetable Products Ltd.</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross sales (in mn)</td>
<td>324</td>
<td>254</td>
<td>208</td>
<td>935</td>
<td>303</td>
<td>260</td>
</tr>
<tr>
<td>Net worth (in mn)</td>
<td>-12</td>
<td>-4.2</td>
<td>-5.8</td>
<td>1.8</td>
<td>18.5</td>
<td>33.9</td>
</tr>
</tbody>
</table>

38 Board for Industrial and Financial Reconstruction
Unraveling the Turnaround

When the new management took charge of the company it was faced with many challenges – external and internal.

External Issues

The changing government policies: In 1991 the Indian government took the historical decision of liberalizing the Indian economy and what followed were a series of policy changes to transform a closed economy into an open economy. The edible oil industry also witnessed its share of changed policies. The government abolished the licensing policy that controlled the entry of companies into the industry. “To further support the capacity building process, it announced a 9% tax exemption to new units for a span of 10 years. 9% was a major rebate in the edible oil sector as the commodity product offered just 2% margin to the producers”. (DS Jain, personal communications, December 14, 2005).

The crude oil, raw material for vanaspati industry, available from the domestic sources was in short supply as compared to the demand. Indian companies therefore had to import the raw material. The custom duty on various crude edible oil except Soyabean Oil was raised. (See Annexure 3) “However, in Sri Lanka and Nepal import of oil was duty free. These companies were exporting Vanaspati to India and naturally we could not compete with them. We have now represented our case to the PM also” (DS Jain, personal communications, December 14, 2005). Thus, it became
very difficult for the old players of the industry to compete with the new units. Several companies such as Shwaija, United Vegetables, Kusum Company and HLL closed down during that period. VPL was also declared sick.

The West Bengal Government, however, through the BIFR, offered assistance in several ways, to the sick Companies attempting to revive. VPL which was also referred to BIFR thus looked forward to avail the assistance so as to make faster recovery.

**Banker’s Issues: Getting concessions:** In 1994, when VPL was referred to BIFR, it owed INR 35 mn to the Banks. Their major objective of interaction with the Banks was to get a waive off on dues, as much as possible.

**Customer Issues: finding a space:** The customers in case of VPL were shop keepers. While quality was extremely important for some institutional customers like biscuit manufacturers, for shopkeepers who were the major chunk of customers, cost effectiveness and timely supply were extremely important elements in customer retention.

Since, the Vanaspati manufacturers of India were unable to compete in cost competitiveness with suppliers from Nepal and Sri Lanka, relationship building with the shop keepers was therefore very important for survival.

**Suppliers: the import duty levy – a heavy duty:** There were four types of suppliers that the Company had – suppliers of crude edible oil, packing material, machines and machine parts. Oil constituted 80% and packing materials another 10% of the cost of regular supplies. However, it was most difficult to procure the oil. On one hand it was expensive and on the other hand it was not given on credit unless there was a personal guarantee or a third party guarantee. This was because the margins were very low. There was, therefore, a need for promoters/ management to build relationship with the suppliers as well.

**Other Stakeholders:** The two major industry associations are Vanaspati Manufacturing Association of India (VMA) and Indian Vanaspati Producers Association, Delhi (IVPA). Their task was to negotiate with the Government on behalf of the industry. Local VMA represents the eastern zone. While VPL directors were members of both the Associations, the Association’s role was not important for reviving the Company. Also the management felt no need for communication with the media or public at large.
**Internal Issues**

**Shareholders:** Since VPL was a sick Company, the promoters brought in equity and acquired 90% shares of the Company. Thus, the main promoters were themselves managing the new company. The objective of communication with other shareholders was to maintain transparency to let them see how the Company was reviving.

**Employee Issues:** The new management at VPL felt that the company was overstaffed and, therefore, it decided to cut down the manpower. This had to be handled carefully, considering that they were functioning in *West Bengal*.

Besides retrenchment, there were also times when the Company was unable to give the employees the same incentives as given in good times or was offering a smaller pay package or was unable to offer increments for a few years. Under such circumstances it was important to motivate the workers to keep working for the Company.

Since those were times of financial crisis for the company, wastage had to be curtailed. There was need to ensure minimum cost and highest efficiency. They also wanted to emphasize the need for quality products.

**External Communications at VPL**

VPL management decided not to appoint any advisor for government interactions. *They preferred to maintain a direct contact as it enabled faster and flexible decision making and it was felt that every delay was a loss that an already sick Company could not afford.*

"The Government has to be sure that the Company is actually attempting to revive itself. For instance, if the Company has 100 employees on rolls and keeps paying salaries for over an year, there is a positive indication that a sincere effort is being made. Once that is clear to them, they are eager to help" (DS Jain, personal communications December 14, 2005).

VPL management ranks its relationship as successful as it was able to get several concessions such as electricity subsidy, sales tax exemption and assistance even in labour settlement.

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39 Since the independence of India in 1947, West Bengal had always elected a communist government that supported the unions in accordance with the communist philosophy
DS Jain and Goenka personally interacted with the Bankers and their Board (United Bank of India). Project Reports had to be submitted while there were ongoing discussions through personal meetings practically every day.

“The Bank waived off the penal interest from the total amount of INR 35 mn and a settlement of returning INR 18.5 mn over a period of 18 months was finalized’ (Goenka, Director VPL, personal communications, December 14, 2005). “We have never taken a loan thereafter and believe that if the fund supply is short, the management is always more careful as it cannot afford to make wrong investments” (DS Jain, Personal communications, December 14, 2005).

Customers: The customers of vanaspati ranged from shopkeepers to bakeries and institutional customers such as HLL, Britannia etc. DS Jain revealed that while shop keepers and institutional buyers were obvious customers targeted by any vanaspati manufacturers, small biscuit manufacturers (bakeries) were an ignored or less obvious customer. VPL realized that these small bakeries put together were a huge untapped market and it therefore focused the promotion of its products towards this market segment. It also kept the costs competitive and supplies timely.

In times of crisis its management maintained that the shop keeper/ small bakery had less capacity to absorb losses and therefore they were considerate in dealing with them. Thus, they were ready to bear losses and protect the shop keepers’ interests to develop long term relationships.

DS Jain a veteran from the industry enjoyed a reputation of being a knowledgeable practitioner and he took the task of relationship building upon himself. “Many times when the customer is puzzled by business intricacies, a fair and intelligent advice, helps them come through difficult times and at times even helps them earn better money. This requires investing time to develop a trust between the supplier and the customer, who then perceive each other as true friends. The message was that we are with them in good times and bad times and we sought their interest always” (DS Jain, personal communications, December 14, 2005).

Supplier Relations: The philosophy that VPL management maintained was that, ‘keeping one’s word was extremely important in trade’. “This enables one to earn word guarantee for no one wishes to take the matters to the court. It is also very important to be transparent. In case there is a problem it is best to let the supplier know it rather than camouflage the real situation. This is mutual. So, when others come to us in their difficult times we do render assistance’ (DS Jain, personal
communications, December 14, 2005). The message was of genuineness and in case of VPL the reputation of the promoters helped.

**Internal Communications at VPL**

**Shareholder:** VPL was progressing slowly. Quarterly results were published and circulated. The AGM was held most of the times at the factory so that the shareholders could see for themselves the progress happening. “While the number of shareholders were small (7 /8), the questions raised were valid and informed. Some times the suggestions were valuable and taken note of” (DS Jain, personal communications, December 14, 2005).

**Retrenchment, motivation and reduction of wastages:** VPL had to reduce the manpower employed in the Company. A strategic decision to close soap manufacturing was taken. This brought down the strength by 40 heads. “Some more workers retired. Some were asked to leave and the strength was brought down from 286 to 110 workers” (DS Jain, personal communications, December 14, 2005). The closing of the soap manufacturing unit sent a message that little salary was better than no salary at all.

All members of the management were involved in the process. There were talks with the union leader and also with Shanti Ghatak, the MLA and Labour Minister from their constituency. Since DS Jain was an advocate with extensive experience of vanaspati industry, he was personally involved in explaining the situation to the Govt, union leader and the workers.

Since the workers had already suffered due to closure of the soap manufacturing unit, it was easier to tell them that the management was solving their problems by making the Company run under such circumstances.

Members of the erstwhile management of VPL began to pull out money from the Company. However, when the new management took over, the process of investment began. By that time the Company had to pay heavy debt to the Bank and the workers. The new management began investing money in the Company to the extent that whatever money the company earned thereafter was sown in the company itself and the Directors took no remuneration for a long time. Also, since the Company was sick the workers needed sympathy. *This required a lot of talking. The action and the talking put together, motivated the workers to participate in the turnaround process.*
**Ensuring Quality:** VPL believed in quality and honesty and thus they ensured that proper quantity & quality was supplied. They were selected by HLL to supply to them the vanaspati oil which HLL sold under the Dalda\(^{40}\) brand name.

**Reduce Wastage and inefficiency:** For a sick Company, communication is all the more important because the Company cannot withstand any losses due to a communication gap. So fast decisions enabled by continuous and extensive communication were essential. VPL management was a close knit team that had regular meetings but no formal communication strategy as such. Besides, it believed in direct communication for better management of labour and employed least via medias.

**Communication Technologies:** Phone calls and emails had replaced the letters. The Company set up a LAN to facilitate smooth working between the factory and the office. Mobile phones were provided to employees on a need basis. To curtail the costs, prepaid cards were provided. SMS was not very extensively employed.

It was important to note that even if emails had extensively replaced the letters, in Government communication, it was important to supplement emails with letters supported by signed receipts from officers in charge. “This is so because the officers in charge keep moving between the posts and hence it is important to maintain your own correspondence records” (DS Jain, personal communications, December 14, 2005).

**Analysis**

VPL declined to sickness owing to changes in the environment (government policies). It is not clear whether the erstwhile management like the management of Amrit Banaspati did not respond to the changes in the environment or whether it did attempt to change but failed. In either case the company turned sick as a result of the environmental changes. Thus, the case of the turnaround of VPL supports the first stage of the theoretical model given in Figure 3.1.

The external stakeholders, namely, government, suppliers and customers were all exerting disabling forces on the sick organizations. The unfriendly policies for old vanaspati producers, the shortage of raw material and the customer with a variety of options were all contributing to the creation of a tough environment. An over staffed organization, indulging in wastages and low on motivation was again exerting

\(^{40}\) Dalda was a well entrenched brand, a household name to the extent that was used as a synonym for vanaspati
disabling forces on the sick company. Thus, the case supports the second stage of the model as given in Figure 3.2.

The case supports the third stage of the proposed theoretical model as the turnaround was initiated only when the new management assumed the central role of enabling a turnaround. It then identified the essential turnaround elements such as restoration of financial stability, retrenchment, reduction of wastages etc and achieved these through informed communication actions such as interactions direct personal, rendering free advice, presenting factual reports etc. Thus, the case supports the third stage of the theoretical model suggested. The communication actions undertaken by the VPL management in enabling the essential elements of turnaround are tabulated in the table given below:

**Framework 5.4**

_The Match between the CS for OTA framework and the communication strategy of VPL during turnaround_

<table>
<thead>
<tr>
<th>Stakeholder/ Turnaround Element (objective)/</th>
<th>Possible Communication Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theoretical Pattern</td>
<td>Case Pattern</td>
</tr>
<tr>
<td>X No — Don't Know</td>
<td>♦ Yes</td>
</tr>
</tbody>
</table>

1. **Board of Directors**
   1.1. *Gain support and time in the future*
       1.1.1. Present detailed turn-around plan

2. **Staff and Workers**
   2.1. *Credibility building actions by the new management*
       2.1.1. Document, and communicate a strategic turnaround plan
       2.1.2. Publicize success in resolving a current crisis or problem
       2.1.3. Make decisions transparent
       2.1.4. Exercise Communication Control
   2.2. *Initial Control*
       2.2.1. Order preparation of daily, weekly and monthly cash forecasts
       2.2.2. Exercise Communication Control.
       2.2.3. Seek views on the general well being of the employees (informally-new)
   2.3. *Mobilization of organization for turnaround*
       2.3.1. Include key managers for development of industry wisdom
2.3.2. Include only key managers for development of vision.
2.3.3. CEO should deliver the vision presentation in person and as often as possible.
2.3.4. Hold special sessions for non-participating managers after vision has been developed to share planned vision.
2.3.5. Inject urgency in the communications plan. Explain what needs to be done and why.
2.3.6. Listen to the views of all managers. Gauge their reaction.
2.3.7. Understand perceptions and focus minds of managing team. Set the scene for turnaround.
2.3.8. Ensure all employees know what is going on, for what reason and how it will occur.
2.3.9. Share the pulpit (Empowerment).
2.3.10. Deal with concerns of employees in open and honest manner. Offer Follow up sessions.
2.3.11. Note any comments or queries and provide answers asap.
2.3.12. CEO must get out of the office to interact with the employees and to listen to them.
2.3.13. Employ open ended communication style that encourages employees to find answers, take decisions.
2.3.14. Repeatedly affirm the Company’s mission, core values, and the primary goals of profit and growth.
2.3.15. Articulate a few highly concrete targets for the company for the next few months.
2.3.16. Involve the staff to identify solvable problem areas and have their views on uninvolved areas.
2.3.17. Rephrase people’s roles to clarify managerial responsibilities.
2.3.18. Top managers must emphasize on integrity, fairness, hard work, resourcefulness and concern for the staff during interactions with the staff.
2.3.19. Publicize and celebrate every employee and team success.

2.4. **Internal Co-ordination**

2.4.1. Offer constant feedback to keep organization on track.
2.4.2. Set up co-ordination committees for co-ordinating interdependent departments.
2.4.3. Institute a monthly performance review meeting of all senior managers chaired by the chief executive.
2.4.4. Insist that lower level disputes be settled at that level on a face to face basis.
2.4.5. Keep the atmosphere light.
2.4.6. Keep enhancing communication technology – email, mobile, ERP.
3. Unions

3.1. *Negotiation of support of Unions and neutralization of Unions' pressures*

3.1.1. Brief unions on the problems and strengths of the unit and some tentative turnaround plan.

3.1.2. Get them to suggest turnaround steps

3.1.3. Seek support, concessions etc. from the unions

3.1.4. Evolve jointly a broad turnaround strategy

3.1.5. Keep unions posted on the progress of the turnaround

4. Banks and Financial Institutions

4.1. *Negotiation of support of Banks and/or FIs and neutralization of Banks and/or FIs pressures*

4.1.1. Brief Banks and/or FIs on the problems and strengths of the unit and some tentative turnaround plan

4.1.2. Get them to suggest turnaround steps

4.1.3. Seek support, concessions etc. from Banks and/or FIs

4.1.4. Evolve jointly a broad turnaround strategy

4.1.5. Keep Banks and/or FIs posted on the progress of the turnaround

4.1.6. *Requires personal interaction of promoter/ top management with Bank senior officials* \(^{NEW}\)

5. Government

5.1. *Negotiation of support of Government and neutralization of Government pressures*

5.1.1. Brief relevant government departments on the problems and strengths of the unit and some tentative turnaround plan

5.1.2. Get them to suggest turnaround steps

5.1.3. Seek support, concessions etc. from the government

5.1.4. Evolve jointly a broad turnaround strategy

5.1.5. Keep the government posted on the progress of the turnaround

5.1.6. *Maintain direct contact; avoid via medias or advisors* \(^{NEW}\)

6. Suppliers

6.1. *Negotiation of support of suppliers and neutralization of Supplier’s pressures*

6.1.1. Brief suppliers on the problems and strengths of the unit and some tentative turnaround plan

6.1.2. Get suppliers to suggest turnaround steps

6.1.3. Seek support, concessions etc. from suppliers

6.1.4. Evolve jointly a broad turnaround strategy

6.1.5. Keep suppliers posted on the progress of the turnaround
6.2. **Build Credibility**

6.2.1. *Always keep your word*  

7. **Customers**

7.1. **Negotiation of support of customers and neutralization of Customer's pressures**

7.1.1. Brief customers on the problems and strengths of the unit and some tentative turnaround plan.  

7.1.2. Get customers to suggest turnaround steps  

7.1.3. Seek support, concessions etc. from customers  

7.1.4. Evolve jointly a broad turnaround strategy  

7.1.5. Keep customers posted on the progress of the turnaround  

7.1.6. *Offer support, concessions etc. to the customer*  

7.1.7. *Offer advice or assistance in their times of crisis Assume the role of a consultant*  

7.2. **Sourcing industry information for quick cost reduction**  

7.2.1. Increase costs incurred on communication technologies, if need be, for sourcing industry (market) information  

7.3. **Revenue Generation**

7.3.1. Unfocused advertising and promotion be more sharply focused  

7.3.2. *Build Brand Image*  

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**Validating the propositions**

*Proposition P_{iA}:* Every company that undergoes a turnaround would necessarily have to address some of the communication objectives given in the framework though not necessarily all.

Framework 5.4 indicates that VPL management addressed 9 (2.1, 2.2, 2.3, 2.4, 3.1, 4.1, 5.1, 6.1, 7.1); and did not address 3 (1.1, 7.2, 7.3) of the 12 communication objectives listed in the theoretical framework proposed.

Thus, the turnaround of VPL indicates that VPL addressed some of the list of objectives given in the proposed framework but not all. It thus supports *Proposition P_{iA}.*

*Proposition P_{iB}:* The list of communication objectives given in the proposed theoretical framework is comprehensive.
Framework 5.4 indicates that VPL management addressed 9 (2.1, 2.2, 2.3, 2.4, 3.1, 4.1, 5.1, 6.1, 7.1); and did not address 3 (1.1, 7.2, 7.3) of the 12 communication objectives listed in the theoretical framework proposed.

Thus, for the turnaround of VPL, the list of communication objectives listed in the framework is not just suggestive, it is rather comprehensive. It thus supports Proposition \( P_{1b} \).

**Proposition \( P_{2a} \):** Every company that undergoes a turnaround would necessarily have to address some of the critical stakeholders given in the framework.

Framework 5.4 indicates that the VPL management addressed 6 (2, 3, 4, 5, 6, 7) of the 7 critical stakeholders during the turnaround of VPL. The only stakeholder not earmarked as being addressed is the Board of Directors. This is because the promoter, Board of Directors and top management happened to be the same.

It thus supports Proposition \( P_{2a} \).

**Proposition \( P_{2b} \):** The list of critical stakeholders to be addressed during a turnaround is comprehensive.

Framework 5.4 indicates that the VPL management addressed 6 (2, 3, 4, 5, 6, 7) of the 7 critical stakeholders during the turnaround of VPL. The only stakeholder not earmarked as being addressed is the Board of Directors. This is because the promoter, Board of Directors and top management happened to be the same.

Thus, for turnaround of VPL the list of critical stakeholders was comprehensive. It thus supports the Proposition \( P_{2b} \).

**Proposition \( P_{3a} \):** At least one of the communication actions listed in the proposed theoretical framework, is employed to realize a corresponding communication objective during turnaround.

Framework 5.4 indicates that for each of the 9 communication objectives addressed by VPL management atleast one communication action was employed by the VPL management during turnaround. However, it also indicates 6 new communication actions (4.1.6, 5.1.6, 6.1.6, 7.1.6, 7.1.7, 7.3.2) adopted by VPL management for the addressing these 9 communication objectives during turnaround. The other 3 communication objectives (1.1, 7.2, 7.3) listed in the proposed theoretical framework have not been addressed by VPL management and hence communication actions suggested thereof have not been employed.
Thus, the turnaround of VPL indicates that it employed at least one communication action listed in the proposed theoretical framework to realize a corresponding communication objective. It thus supports Propostion $P_{14}$.

**Proposition $P_{3B}$**: The list of communication actions recommended for achieving the communication objectives is comprehensive.

Framework 5.4 indicates that VPL management adopted 21 communication actions; did not adopt 20 communication actions; and did not provide information on 19 communication actions of the total of 60 communication actions listed in the theoretical framework proposed. It also indicates that VPL management employed 6 new communication actions (4.1.6, 5.1.6, 6.1.6, 7.1.6, 7.1.7, 7.3.2). These actions were not listed in the theoretical framework proposed.

The turnaround of VPL thus suggests that the list of communication actions given in the theoretical framework proposed is not comprehensive. It thus does not support Proposition $P_{3B}$. 

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Case 5

HOWRAH MILLS CO. LTD.

Deciphering Communication during turnaround

Background

The jute industry is one of the oldest traditional industries in India. It consists of 73 composite jute mills, 59 of them are located in West Bengal. This is an installed capacity of around 19.5 lakh metric tonnes per annum, a large part of which remains unutilized due to a mismatch between demand and supply.

This industry is beset with many problems, including competition from the synthetic sector, high labour cost and obsolescence of machinery and uneconomic working. These factors have led to large-scale sickness in the industry.

One of the older Companies of jute in Kolkata is Howrah Mills Co. Ltd. (HMCL). It was established by the Jardine Henderson Group in 1825 at Kolkata, the capital of West Bengal state of India. It manufactures jute goods like Hessian cloth, Hessian bag, sacking, jute yarn and now food grade products. HMCL, like many other jute mills in the industry, became a sick unit in the year 1987. OP Mall a supplier to the company decided to takeover the Company. "Perhaps I had no choice but to take it over because they had to pay my dues worth INR 10 mn. If I would not have recovered that money, I would have been doomed. Since, I had revived several sick companies in the past, I was confident that I would be able to revive this Company as well." (OP Mall, personal communications, December 15, 2005).

The new management took charge of turning around the Company. In 1998, the networth of HMCL turned positive and has since been improving consistently (See Table 5.5.1, Chart 5.5.1)

Table 5.5.1: Performance of HMCL during 1995-2005; turnaround in 1997

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</tr>
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<tbody>
<tr>
<td>Gross sales (in mn)</td>
<td>582</td>
<td>817</td>
<td>852</td>
<td>748</td>
<td>766</td>
<td>1345</td>
<td>928</td>
<td>1048</td>
<td>1386</td>
<td>1083</td>
</tr>
<tr>
<td>Net worth (in mn)</td>
<td>-34</td>
<td>-15</td>
<td>-8</td>
<td>4</td>
<td>9</td>
<td>16</td>
<td>21</td>
<td>26</td>
<td>74</td>
<td>135</td>
</tr>
</tbody>
</table>
Unraveling the turn around

The sick unit of HMCL was faced with a host of issues

**Internal Issues**

**Labour Relations:** The labour relations at HMCL had deteriorated. The productivity was low and there was lack of trust in the management. The irregularity in labour payments pertaining to worker’s ESI (Employee Security Insurance), PF and gratuity amounted to INR 150 mn. Naturally, the workforce was de-motivated.

Excerpt from Minutes of the meeting held on 5.10.97 at 11.30 am
Jb Abbas Ali, in his address said that:-

1) Management should make arrangement for enhanced canteen facilities while introducing straight shift duty in the mills.

Excerpt from Minutes of the meeting held on 3.08.97 at 11.00 am

1) Jn Abbas: ......When the trend for output is good, suddenly there is a change in the quality of fabric which affects production. He said, if the quality of jute is good, it does not necessarily mean that the sliver/yarn will also be good........
**External Issues**

**Bankers:** The bank had lost confidence in the previous promoters. A balance of INR 50 mn was due to the SBI and some suppliers.

**Customers:** “Our predecessor, the Jardine Henderson Company was a well established name in the industry. They owned four to five mills and maintained a very high quality. When the new management took over, the market was watching carefully to see whether the new management will be able to maintain the quality or not. It was, therefore, critical for the new management to produce quality products and ensure timely delivery to retain the reputation earned by the company in the past.” (OP Mall, personal communications, December 15, 2005)

**Government:** In the Indian jute industry a mill has very little direct interaction with the customer. The produce is bought by the Government or by the Brokers except in case of sugar bags. The Government buys through the Jute Commissioners office. This office allots quota according to the capacity of the mill. (Jute Packaging Materials Act, 1987). 40% of the HMCL’s purchases were done by the Government. Thus, it was important to keep the government informed especially on regulatory concerns.

Since HMCL was a sick unit referred to BIFR, it was important to ensure appropriate communication and coordination with it to get the benefits that HMCL could get.

**Suppliers:** The company had irregularities in supplier payments that had to be sorted out. It was also important for it to get good quality supplies in time and to get adequate credit when need be. “There was thus a need to build a confidence that the new management will be fair in its dealings and all payments will be made in time.” (OP Mall, personal communications, December 15, 2005)

**Industry Associations:** HMCL management maintained that since Industry Associations presented the industry’s views to the Government Departments, participation in its activities enables one to share one’s problems and understand the Government’s viewpoint.

“These Associations are also a source of useful information such as monthly production achieved by other Companies, Government regulations and any other industrial information. Besides, they can help upgrade technology and adopt best practices from the industry.” (OP Mall, personal communications, December 15, 2005)
**Internal Strategy**

**Exhibit**

JK Jute Udyog Kanpur was using one worker for 4 looms of size 32" (Reed Space). However, at Howrah Mills, one worked on two looms of 371/2". The MD then visited Kanpur and came back with the experience that he shared with the union. A group of representatives of unions along with management representatives visited Kanpur to actually see the process up and running. Thereafter, it was easier to share experiences, train and make one worker agree to run 4 looms. Whatever machine upgradation was required was affected immediately. The production doubled as a result and cost of production came down drastically.

**Employees**

**Exercise Communication Control: Win the Trust:** “I have revived 5 sick Companies and I can say with my experience that trust in employees is at the core of managing a Company. You have to win their trust and they must know that you are not cheating them. This is important because whenever you run into losses, the first pay off is from workers’ dues. A Company pays direct wages & indirect wages keep getting accumulated. The bankers and other stakeholders are affected much later. As a result, a management tends to over commit to the workers to gain their confidence”.

(OP Mall, personal communications, December 15, 2005) Mall strongly warned a turnaround management about making commitments that cannot be kept and insisted that it was more important to be able to live by the commitments made to gain the trust.

**Introduce transparency in decisions: Earn credibility:** HMCL management considered communication with workers to be an extremely important element in the process of turnaround. It believed that a Company must let the workers know the true picture of where the management and product market stands. “If you are not transparent then they are not cooperative. They have their own feelings.” (OP Mal, personal communications, December 15, 2005). **Transparency** was thus considered at the core of the turnaround process and HMCL management claims that labour forces become cooperative instead of being adverse. For instance, Employee Welfare Manager took care of problems of the workers. He assisted them in understanding what ESI or other benefits they were entitled to. He offered assistance in matters such as school admissions or other family related issues. He was also responsible for
ensuring that labour utilities were properly maintained, food in the canteen was a
decent quality etc.

HMCL constituted a committee of workers, plant management & office management
to enable smooth communication between each group for transparency and smooth
planning. This committee set targets for production & payment schedules, to pay off
old liabilities. They met on a monthly basis to check where they had defaulted and
took corrective actions. From Sept. 1987-88 to 1990-91 the committee met on a
monthly basis. Thereafter, the frequency was reduced to a quarterly and the Company
continued to follow that schedule. Minutes of each of these meetings were
documented.

The objective was to inform the employees of the actual condition of the Company.
This meant informing them of the cost of production in comparison with others in the
industry, also laying bare before them the shortcomings. This was done on a
quarterly basis. The idea was that instead of the employees telling the management,
what had not been done, the management took the initiative to own up what had not
been done. Thereafter, the employees were asked to submit suggestions for remedies.
The objective was to gain trust, cooperation and involvement.

The Message: The message that HMCL management wanted to communicate to the
employees was that the Company was fair in its dealing and it actually removed any
doubts that might cloud the workers’ mind. "This was to avoid misconceptions, which
only create problems ".

Another message that the HMCL management wanted to deliver was that all must
accept the reality of the Company and the industry. Then a fair process be developed
for improvement. It had to be understood that “the worker is married to the
organization while the management is not. The management can sell the Company
assets and walk out any day. However, the worker has to earn his wages from the
Company. Their bond is unbreakable” (OP Mall, personal communications,
December 15, 2005)

The HRD President H Hazra alongwith the Works President S Basu managed the
4000 employees of HMCL. They regularly interacted with the union leaders of the
three unions and with the floor (department) leader from each floor. The MD also
met them twice in a year, once in January and then before Pooja time.

“Today’s” workers are smart, whereas underestimate them. Through their contacts
and colleagues they do have the initial information. Due to increased communication
they are so much more educated” says OP Mall. The Howrah management considered this a positive shift and went a step ahead to organize seminars and conferences and invite professionals from industry to tell them of the latest developments & trends in operations, material handling and labour relations. Senior people from Industry and Government department were invited to educate the employees on ESI, PF and other benefits that they can get. Sessions on “how the production on machines can be improved,” were also held.

Thus, the workers were educated through seminars and conferences. The frequency then was three times in a year and now is once in a year. Then there were regular meetings between the management representatives and the union and floor leaders.

Thus, HMCL began the process of turnaround by strengthening its HRD and making all aspects of salary and other dues to labour, known to them. The management lay bare before the workforce all the pending accounts and constituted a body to monitor reduction of dies on a month to month basis keeping the financial results of the Company in mind. “We faced problems for an year or so but ultimately the workers accepted that the management was not hiding anything. So the workers started cooperating resulting in reduction of cost of production.” (OP Mall, personal communications, December 15, 2005)

“Save one strike industry wide that lasted from 10 days to 1 month, the Company has lost only 3 man days” claims OP Mall proudly.

Communications Technology Interventions: Mobile phones have been provided to employees at all levels from a Sardar to the MD. This tool has in fact become an essential commodity for smooth running of the day-to-day business activity. “The impact is so much that we feel that one person can now do the job of three persons – thanks to the mobile phone technology” says OP Mall. SMS is not yet used to a large extent.

In 2003, much after the turnaround period as defined for this study, HMCL set up a LAN in the Company and this development has improved coordination between the Mill and the office. The export and accounts department are connected to internet through a broadband connection. The Company has not installed any ERP packages in the Company
**External Strategy**

**Bankers:** The new management of HMCL regularized the bank account as soon as it took it over. Since the Company was with a new management and the management had cleared all the dues, had a track record of reviving sick companies and was in the process of doing so at Howrah Mills also, it regained the trust of the bank on the changed management of the Company. The management thereafter graded the Bankers to renegotiate the terms with the Banks to get better rate of interest and more funds. “We brought in promoters’ equity to settle the bank credits and then began negotiation for operating funds” (OP Mall, personal communications, December 15, 2005)

*Once or twice in an year the MD met the senior management in the Banks. The Financial Director handled the tasks day-to-day and interacted with the Chief Manager of the Bank. These were personal interactions on a day-to-day basis. Two types of reports including Term Loan (Full project report) and WC report were submitted. The latter included Working projections and justification for increasing the WC required. Mall considers HMCL interactions with the bank are very successful. “For instance, the loan that we got initially was INR 15 mn which has increased to INR 90 mn later.” (OP Mall, personal communications, December 15, 2005)*

**Government:** HMCL kept the Labour Department of the Govt. informed of any developments. “Whenever there were any updates of machines and we had to regularize the work force we kept Government in the loop”. (OP Mall, personal communications, December 15, 2006). Also, for issues pertaining to excise, pollution and the likes we kept the Government informed.

**Supplier:** Since the supplier morale was very low, HMCL settled some accounts by down payment and some through installments on new terms and conditions such as reduced credit limit of 3 months as against 12 months.

*Mall’s younger brother, managed the purchase department. “Since he was related to the MD the suppliers would trust his word more than they would have trusted anyone else doing the job” says OP Mall. As mentioned earlier, there was need to build credibility and the management believed that payments speak for themselves.*

In the jute industry, the prices of the raw jute fluctuate on a daily basis. The company, therefore, regularly followed rates published by the East India Jute & Hessian Exchange Ltd.
Industry Associations: Initially, the MD OP Mall handled the interaction with industry associations. He was an active member of various committees such as the Government’s production development department etc. However, later the CEO Sanjay Mall began dealing with them and is now on committees such as the Export Promotion committee.

International Agencies: Sometimes, the International agencies as mentioned earlier gave opportunities for development by installing two to three machines and allowing Companies to experiment, develop a process and then either sell to the Company or if they so desire sell to anyone else. HMCL got a yarn processing machine in 1992 under a similar scheme. This, says Mall, was enabled through the industry associations.

Customer: It was important for the new management to maintain the quality and timely delivery to retain the reputation earned by the Company in the past. The marketing department managed the sales. Sanjay Mall, son of the MD and CEO of the Company handled the exports. Tools such as brochures, websites and internet communications were used extensively to promote sales.

Shareholders: Since the share holding with shareholders other than the promoters was little, this was not a great concern. However HMCL wanted the shareholders to have patience as the new management brought the Company out of red.

The only communication that happened was during the AGM and through the Annual Report. The shareholders would come, share their views (suggestions) and gain the confidence through the discussion that HMCL would come through soon.

Analysis

The case of the turnaround of Howrah Mills Company Ltd. supports the first stage of the theoretical framework proposed in this study. While the new management did not elaborate on reasons of sickness of HMCL, a study of the jute industry in that period reveals that various external changes such as preference to synthetic fibre posed major competition to jute industry. This coupled with other factors such as obsolescence of machinery and uneconomical economies of scale rendered companies in this industry sick. Mall in one of his personal communications also mentioned that the company Jardine Henderson had decided to quit operations in India and, therefore, lost interest in the Company. Thus it is obvious that both – environment and wrong/faulty managerial decisions owing to disinterested
management resulted in the downfall of HMCL. Thus, the case supports stage 1 of the theoretical model proposed in the study and given in Figure 3.1.

The case also supports the second stage of the theoretical framework that suggests that enabling or disabling forces are exerted by different stakeholders on the sick company. In case of HMCL, the internal stakeholders, namely, the workers had not received their salary and other dues for a very long time. A demotivated workforce that had lost trust on the management exerted disabling force on the sick HMCL unit. The banks, financial institutions and also the suppliers had lost trust in HMCL. Thus disabling forces were getting exerted on the sick HMCL.

The case strongly supports the third stage of the communication framework as the turnaround was initiated only when the management assumed a central role in the process. It took charge and immediately enabled turnaround elements such as credibility building, initial control, mobilization of organization, coordination, negotiations etc. To enable these elements the Company employed several communication strategies and actions such as sharing the vision, bringing transparency in decision making, spreading awareness, organizing meetings and sessions, exercising communication control, listening to all employees etc. as tabulated in the table given below. Thus the case of the turnaround of HMCL strongly supports the third stage of the proposed model of communication.

<table>
<thead>
<tr>
<th>Stakeholder/ Turnaround Element (objective)</th>
<th>Possible Communication Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Board of Directors/ Shareholders</td>
<td>×</td>
</tr>
<tr>
<td>1.1. <em>Gain support and time in the future</em></td>
<td>×</td>
</tr>
<tr>
<td>1.1.1. Present detailed turn-around plan</td>
<td>—</td>
</tr>
<tr>
<td>2. Staff and Employees</td>
<td>✓</td>
</tr>
<tr>
<td>2.1. <em>Credibility building actions by the new management</em></td>
<td>✓</td>
</tr>
<tr>
<td>2.1.1. Document, and communicate a strategic turnaround plan</td>
<td>✓</td>
</tr>
<tr>
<td>2.1.2. Publicize success in resolving a current crisis or problem</td>
<td>—</td>
</tr>
<tr>
<td>2.1.3. Make decisions transparent</td>
<td>✓</td>
</tr>
</tbody>
</table>
2.1.4. Exercise Communication Control (control on promises rolled out)

2.2. Initial Control

2.2.1. Order preparation of daily, weekly and monthly cash forecasts

2.2.2. Exercise Communication Control.

2.2.3. Seek views on the general well being of the employees.

2.3. Mobilization of organization for turnaround

2.3.1. Include key managers for development of industry wisdom

2.3.2. Include only key managers for development of vision

2.3.3. CEO should deliver the vision presentation in person and as often as possible.

2.3.4. Hold special sessions for non-participating managers after vision has been developed to share planned vision

2.3.5. Inject urgency in the communications plan. Explain what needs to be done and why

2.3.6. Listen to the views of all managers. Gauge their reaction

2.3.7. Understand perceptions and focus minds of managing team. Set the scene for turnaround.

2.3.8. Ensure all employees know what is going on, for what reason and how it will occur.

2.3.9. Share the pulpit (Empowerment)

2.3.10. Deal with concerns of employees in open and honest manner. Offer Follow up sessions

2.3.11. Note any comments or queries and provide answers asap.

2.3.12. CEO must get out of the office to interact with the employees and to listen to them

2.3.13. Employ open ended communication style that encourages employees to find answers, take decisions.

2.3.14. Repeatedly affirm the Company’s mission, core values, and the primary goals of profit and growth.

2.3.15. Articulate a few highly concrete targets for the company for the next few months

2.3.16. Involve the staff to identify solvable problem areas and have their views on uninvolved areas.

2.3.17. Rephrase people’s roles to clarify managerial responsibilities.

2.3.18. Top managers must emphasize on integrity, fairness, hard work, resourcefulness and concern for the staff during interactions with the staff.

2.3.19. Publicize and celebrate every employee and team success.

2.3.20. Emphasize that employees loss or gain is higher. Management can quit any time

NEW
2.3.2. Organize seminars for educating workers on their rights and developments in industry. This dispels misconceptions.

2.4. Internal Co-ordination

2.4.1. Offer constant feedback to keep organization on track

2.4.2. Set up co-ordination committees for co-ordinating interdependent departments

2.4.3. Institute a monthly performance review meeting of all senior managers chaired by the chief executive.

2.4.4. Insist that lower level disputes be settled at that level on a face to face basis

2.4.5. Keep the atmosphere light.

2.4.6. Keep enhancing communication technology – email, mobile, ERP

3. Unions

3.1. Negotiation of support of Unions and neutralization of Unions’ pressures

3.1.1. Brief unions on the problems and strengths of the unit and some tentative turnaround plan.

3.1.2. Get them to suggest turnaround steps

3.1.3. Seek support, concessions etc. from the unions

3.1.4. Evolve jointly a broad turnaround strategy

3.1.5. Keep unions posted on the progress of the turnaround

4. Banks and Financial Institutions

4.1. Negotiation of support of Banks and/or FIs and neutralization of Banks and/or FIs pressures

4.1.1. Brief Banks and/or FIs on the problems and strengths of the unit and some tentative turnaround plan

4.1.2. Get them to suggest turnaround steps

4.1.3. Seek support, concessions etc. from Banks and/or FIs

4.1.4. Evolve jointly a broad turnaround strategy

4.1.5. Keep Banks and/or FIs posted on the progress of the turnaround

4.1.6. Protracted negotiations with the banks and Financial institutions

5. Government

5.1. Negotiation of support of Government and neutralization of Government pressures

5.1.1. Brief relevant government departments on the problems and strengths of the unit and some tentative turnaround plan

5.1.2. Get them to suggest turnaround steps

5.1.3. Seek support, concessions etc. from the government

5.1.4. Evolve jointly a broad turnaround strategy
5.1.5. Keep the government posted on the progress of the turnaround

5.1.6. *Maintain direct contact; avoid via medias or advisors* NEW

6. Suppliers

6.3. *Negotiation of support of suppliers and neutralization of Supplier’s pressures*

6.3.1. Brief suppliers on the problems and strengths of the unit and some tentative turnaround plan. NEW

6.3.2. Get suppliers to suggest turnaround steps X

6.3.3. Seek support, concessions etc. from suppliers NEW

6.3.4. Evolve jointly a broad turnaround strategy X

6.3.5. Keep suppliers posted on the progress of the turnaround NEW

6.4. *Build Credibility*

6.4.1. *Commit payments to build credibility* NEW

6.4.2. *Always keep your word* NEW

7. Customers

7.4. *Negotiation of support of customers and neutralization of Customer’s pressures*

7.4.1. Brief customers on the problems and strengths of the unit and some tentative turnaround plan. —

7.4.2. Get customers to suggest turnaround steps —

7.4.3. Seek support, concessions etc. from customers —

7.4.4. Evolve jointly a broad turnaround strategy —

7.4.5. Keep customers posted on the progress of the turnaround —

7.5. *Sourcing industry information for quick cost reduction*

7.5.1. Increase costs incurred on communication technologies, if need be, for sourcing industry (market) information NEW

7.6. *Revenue Generation*

7.6.1. Unfocused advertising and promotion be more sharply focused

7.6.2. *Build Brand Image* NEW

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Validating the propositions

*Proposition P_{14}:* Every company that undergoes a turnaround would necessarily have to address some of the communication objectives given in the framework though not necessarily all.

Framework 5.5 indicates that HMCL management addressed 10 (2.1, 2.2, 2.3, 2.4, 3.1, 4.1, 5.1, 6.1, 7.2, 7.3), did not address 1 (1.1) and did not share information on 1
(7.1) of the 12 communication objectives listed in the theoretical framework proposed.

Thus, the turnaround of HMCL indicates that HMCL addressed some of the list of objectives given in the proposed framework but not all. It thus supports Proposition $P_{1A}$.

*Proposition $P_{1B}$:* The list of communication objectives given in the proposed theoretical framework is comprehensive.

Framework 5.5 indicates that HMCL management addressed 10 (2.1, 2.2, 2.3, 2.4, 3.1, 4.1, 5.1, 6.1, 7.2, 7.3), did not address 1 (1.1) and did not share information on 1 (7.1) of the 12 communication objectives listed in the theoretical framework proposed.

Thus, for the turnaround of HMCL, the list of communication objectives listed in the framework is not just suggestive, it is rather comprehensive. It thus supports Proposition $P_{1B}$.

*Proposition $P_{2A}$:* Every company that undergoes a turnaround would necessarily have to address some of the critical stakeholders given in the framework.

Framework 5.5 indicates that the HMCL management addressed 6 (2, 3, 4, 5, 6, 7) of the 7 critical stakeholders during the turnaround of HMCL. The only stakeholder not earmarked as being addressed is the Board of Directors. This is because the promoter, Board of Directors and top management happened to be the same.

The turnaround of HMCL therefore supports Proposition $P_{2A}$.

*Proposition $P_{2B}$:* The list of critical stakeholders to be addressed during a turnaround is comprehensive.

Framework 5.5 indicates that the HMCL management addressed 6 (2, 3, 4, 5, 6, 7) of the 7 critical stakeholders during the turnaround of HMCL. The only stakeholder not earmarked as being addressed is the Board of Directors. This is because the promoter, Board of Directors and top management happened to be the same.

Thus, for the turnaround of HMCL the list of critical stakeholders was comprehensive. It thus supports the Proposition $P_{2B}$.

*Proposition $P_{3A}$:* At least one of the communication actions listed in the proposed theoretical framework, is employed to realize a corresponding communication objective during turnaround.
Framework 5.5 indicates that for each of the 10 communication objectives addressed by HMCL management at least one communication action was employed by the HMCL management during turnaround. However, it also indicates 7 new communication actions (2.3.20, 2.3.21, 4.1.6, 5.1.6, 6.1.6, 6.1.7, 7.3.2) were adopted by HMCL management for the addressing these 10 communication objectives during turnaround. The other 2 communication objectives (1.1, 7.1) listed in the proposed theoretical framework have not been addressed and not been shared with researcher respectively by HMCL management and hence communication actions suggested thereof have not been employed.

Thus, the turnaround of HMCL indicates that it employed atleast one communication action listed in the proposed theoretical framework to realize a corresponding communication objective. It thus supports Proposition $P_{3A}$.

**Proposition $P_{3B}$:** The list of communication actions recommended for achieving the communication objectives is comprehensive

Framework 5.5 indicates that HMCL management adopted 39 communication actions; did not adopt 9 communication actions; and did not provide information on 12 communication actions of the total of 60 communication actions listed in the theoretical framework proposed. It also indicates that HMCL management employed 7 new communication actions (2.3.20, 2.3.21, 4.1.6, 5.1.6, 6.1.6, 6.1.7, 7.3.2). These actions were not listed in the theoretical framework proposed.

The turnaround of HMCL thus suggests that the list of communication actions given in the theoretical framework proposed is not comprehensive. It thus does not support Proposition $P_{3B}$. 
Case 6

NAIHATI JUTE MILLS COMPANY LTD.

Deciphering Communication during Turnaround

Background

Naihati Jute Mills Company Ltd. (NJMCL) was set up in 1905, by the British. It was bought by the Bhagats, a rich family from Kolkata, in the year 1958 and was later inherited by JK Bhagat, the current Managing Director of the Company. Till 1966, Kolkata was home to a thumping jute industry. This was followed by a cyclic low. Unfortunately, the reasons to stay low kept increasing and Naihati like many other jute mills in the country began incurring losses.

By 1997, the networth of the company had eroded to INR -32 mn. The company was declared sick and referred to the BIFR, under the legislation of Sick Industries Act (SICA), in 1998 for rehabilitation. The management kept working to revive the Company. The Company networth turned positive in 1999 and the financial results improved thereafter.

(See Table 5.6.1 and Chart 5.6.1)

Table 5.6.1: Performance of NJMCL during 1995-2005; turnaround in 1999

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<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross sales (in mn)</td>
<td>527</td>
<td>672</td>
<td>639</td>
<td>695</td>
<td>821</td>
<td>784</td>
<td>679</td>
<td>809</td>
<td>754</td>
<td>893</td>
</tr>
<tr>
<td>Net worth (in mn)</td>
<td>-30</td>
<td>-32</td>
<td>-10</td>
<td>1</td>
<td>7</td>
<td>33</td>
<td>19</td>
<td>21</td>
<td>21</td>
<td>9</td>
</tr>
</tbody>
</table>
Challenges before the management

External Issues

Supplier Issues

Non-availability of Raw Material: The jute industry of India was dependant on Bangladesh for raw material supplies. The high import duty on the raw material made the Indian Jute products uncompetitive as these mills had to compete with mills in Bangladesh.

Exploitation by traders and brokers of raw material: “Jute crop comes in the month of July and continues till January-February. However, there is no crop in the period between March-June. The traders of jute material, therefore, restrict jute supplies between July-February so that they can retain supplies for the lean period and sell these at a high price during March-June when the companies have no other source to depend on.

Since NJMCL was running into losses, they were not in a position to buy bulk supplies or to get credit. They thus became vulnerable to exploitation by brokers and traders as any short supply of material implied a shut down – a proposition too expensive especially for a sick Company.” (JK Bhagat, personal communications, December 14, 2006)
**Government:** Jute as a product faced intense competition from the Polythene industry. The cost of jute bags is higher than polythene bags so the industry preferred polybags over jute bags. However, polybags were not eco-friendly. Since, Government of India was a major customer for both kind of Companies (jute and polythene) a tilt in the Government policies balance in either direction had major impact on the industry.

Government reviewed the JPMA (Jute Packaging Materials Act) 1987 annually and accordingly earmarked how much food grain or say sugar was to be packaged in jute bags. When the Govt. of India announced its policy to package all of fertilizer and cement in HDP bags instead of jute bags, it was a major setback for the industry as it lost the biggest customer base.

One of the important policies for this sector was the import duty imposed on raw materials. If it was high, the raw material and hence the product became uncompetitive against the product produced in Bangladesh. Industrial Associations therefore lobbied to get the import duty on raw material reduced or to get it increased on jute products. Depending on the political party in power, the protectionist policies got a boost or a set back.

Jute industry was home to thousands of workers. Naihati itself employed 4000 workers. “Almost all political parties had interest in these vote banks. Thus, policies that impact jute industry are sensitive to political changes”.(Ashutosh Bahgat, personal communications, December 18, 2006).

All this becomes more significant because Jute is a major industry in West Bengal. The performance of Jute industry impacts the economy of the state. The Government therefore also has in place several schemes for subsidizing the running or giving grants for modernization of Jute industry.

“However, the bureaucratic delay in implementing any of the measures dilutes the Government efforts” laments JK Bhagat.

**Internal Issues**

**Labour Intensive Industry:** The jute industry in India was not modernized. In the traditional labour intensive industry, the workers have a stronghold owing to the communist regime that has continued in West Bengal for decades. Thus the worker unions are a major force to reckon with.
The number of workers employed by NJMCL was nearly 4000, 90% of which were permanent employees. According to the government regulation, the company was bound to pay them for 240 days in a year while workers on Special Badli or contractual labour had to be paid for 200 days in a year. However, there was no legal binding for Badli i.e. casual labour. In case of NJMCL, Special Badli and Badli workers were only 10%. Therefore, irrespective of whether there was work or not, NJMCL was bound to pay the wages.

**Misuse of facilities:** The Company had 800 houses for the workers and 40-50% workers were housed there. It provided for such amenities as electricity, water etc. However, there were electricity thefts and other such wastages.

**Low Productivity:** The modern machinery was too expensive for the Sick Company to install. The productivity in this labour intensive Company was naturally dependant on its workforce. They therefore continued to depend on traditional equipment. “Unskilled labour from Bihar, UP and WB was employed to perform as skilled labour jobs. Naturally the productivity was low” (Ashutosh Bhagat, personal communications, December 18, 2005)

**Naxalite movement:** “There was an anti establishment movement by a group that called itself Naxals. They opposed anything that the management or other unions had to say and did get a foothold in the short term.” (Ashutosh Bhagat, personal communications, December 18, 2005)

**External Communication at NJMCL**

**Government:** NJMCL management maintained that major crisis in jute industry was owing to external factors and that remedy for most of it also was with the government. It participated actively in the industry association activities to be able to voice its concerns to the government, and also received several benefits through the BIFR.

The West Bengal government had initiated several incentive schemes for Companies referred to BIFR. The objective of NJMCL was to avail these concessions during the revival period.

NJMCL got various deferments of loans and concessions under the Jute Modernization Scheme. Special loans for the payment of statutory dues like PF at subsidized interest rate, sales tax loans, loans for arrears, and other concessions given to sick industries such as reduced electricity rates were availed.
"At the peak of crisis me and my father were involved whenever possible. If we would have avoided then revival would not have been as smooth and fast as it was. There was a need to develop in BIFR a confidence that we are not out to cheat them. Through monitoring of accounts and operations and periodic review meetings at the BIFR level this was ensured." (Ashutosh Bhagat, December 18, 2005)

**Industry Associations:** Industry Associations played a major role in aiding revival. This Association membership assisted the management to discuss with peers in the industry the common problems that they faced and provided a platform to voice the concerns to the government. For instance, since the raw material was expensive owing to the high import duty, the industry associations influenced the government to lower import duty on raw material and increase tariffs on import of finished product. The Industry Associations also lobbied with the Central government to retain Jute Mandatory Packaging Act, 1987. Thus it was important to be active in the Associations so as to be perceived as a significant opinion leader in the Association. “Earlier my father was on the committee and now I have taken his place” (Ashutosh Bhagat, personal communications, December 18, 2005).

The Association also enabled the management to foster relationship with various associates including brokers, competitors, customers etc. and develop contacts to keep update on industry development and market fluctuations. This was important even in day-to-day functioning as it laid networks to source rates of raw material that fluctuate on a daily basis.

**Bankers:** NJMCL was defaulting in their term loan commitments. They had to pay Income Tax (IT) and Provident Fund (PF) dues amounting to nearly INR 50 mn. And the monetary situation was such that there was also shortage of funds even for raw material and payment of wages.

The Company then prepared a scheme of viability which was approved under the rehabilitation scheme of BIFR but it could not arrange for an operating agency for the same. The management then discussed the scheme with Bankers and attempted to convince them sharing ailments of the industry and past records of the Company and finally NJMCL gave a collated security of INR 10 mn and got the WC limit enhanced.

The Banks monitored Company’s account operations and also conducted periodic review meetings with promoters at BIFR level. **NJMCL was very forthcoming in sharing all information.** Since NJMCL was under the rehabilitation scheme of BIFR
each cheque signed by the Company had to be counter signed by the Bank. The practice was continuing till the time of the interview (2005) but was due for withdrawal. The bankers employed internal auditors; officers checked the stock, however, NJMCL refused to get perturbed as it was not fiddling with funds.

Customers: Jute products were sold through brokers. NJMCL had relationships and dealings with several Brokers. However, since NJMCL was in short of funds, it was forced to sell its products at discounted rates for cash sales. As a result, NJMCL was selling materials at lower prices and when the prices went up, they had no material to produce any further. “We realized how the brokers were encashing on our strengths and weakness” (Ashutosh Bhagat, personal communications, December 18, 2005)

NJMCL, therefore, examined sifted to find out who were the major offenders and reduced business with them. Elimination process was initiated and Naihati began dealing with only those who were financially sound, did not seek credit even if they were new in the business. But arriving at this list required identifying leakages, cross checking with other mills and developing new relationships. This required insights at various levels. The team developed relationships with customers, suppliers and competitors at various levels.

NJMCL made a renewed effort of marketing in India and abroad. The objective was to increase sales of value added products – an upcoming export area. Its attempt was to get recognized as an export house that delivered quality, met delivery schedules and provided services to buyers. It developed a flexible system of production wherein the product mix was varied depending on the market demands. For instance, NJMCL initially produced only 50 kg Hessian bags for packing pulses. With this market size depleting, NJMCL began producing Jute Bleach Cloth Bags used by Rice manufacturers in Delhi. Similarly, they began producing carpet yarn which was sold in foreign markets. This increased volumes of production to a large extent. The message was that NJMCL offered good quality in affordable prices. Ravi Bhagat, the elder son of JK Bhagat and Director in the Company was responsible for marketing communications. He worked with a team of 5 people.

Developing, creating and exporting niche products was a strategy. NJMCL developed new value added products. For instance it entered the niche area of producing bleached Jute fabrics which could be sold at INR 5000/ton as against Asian jute sold at INR 3500/ton. These products were then promoted abroad by regularly participating in and visiting fairs.
“It is extremely important to keep oneself informed of trends because only then an effective product mix can be developed. Tapping information from various sources through informal feedback is the key to all the planning” (Ravi Bhagat, personal communications, December 14, 2005)

**Suppliers:** NJMCL supply-chain management was not in place. Payments were long overdue. Considering that the financial situation was not so good, there was need to agree on time frames to liquidate the dues. The directors therefore, held frequent meetings with the suppliers and explained to them the Mill’s position. Once the Company started generating funds, funds oiled the wheels.

NJMCL was also not ready to accept substandard material as that would have adversely affected quality and production levels. For instance if the Company wanted to produce jute with more strength and thus higher spin ability, they went back to the supplier who in turn suggested several methods which then had to be discussed and implemented in the factory and that was an ongoing process.

“Relationship building helps” says Ashutosh Bhagat. “It makes clear to the supplier, what the customer is looking for and in case there are practical problems they are able to come and tell you” he adds. The Directors also made it a point to collect feedback from the workers, on quality of material and suppliers whenever they visited the mills.

The company was very firm on quality of supplies and several suppliers did get eliminated in the process of maintaining this objective. The MD and Ashutosh Bhagat themselves interacted with the suppliers.

**Other Stakeholders:** There was no interaction with media or international agencies as well. The communication with shareholders was restricted to as it much by was stipulated as legal requirement – annual reports and AGMs.

**Internal Communication Strategy**

NJMCL did not have a very formal strategy but all along the management met to strategize and draw plans to figure out how they could overcome obstacles to get optimum results.

**Employees: No retrenchment**

Even though there was a large workforce on rolls, NJMCL did not resort to retrenchment of employees. The number of workers were reduced from 4000 to 3700 in 9 years.
Cost Cutting Measures: However, several facilities which were freely flowing in good times were cut down, for instance, electricity theft was checked and water supply restrictions from 24 hrs to 16 hrs a day in worker homes had to be imposed to reduce expenses. "Naturally we had to explain to the workers why that cannot be allowed" (Ashutosh Bhagat, personal communications, December 18, 2005).

Productivity: However, there was need to increase productivity and reduce wastages in the processes. "For instance, suppose in our mill one person was working on 2 machines and in other companies they were working on 4 machines then the management attempted to convince them for better productivity. If there was resistance to change then the management took them to neighboring mills to make them see for themselves how their competitors were accomplishing the task" shares Ashutosh Bhagat. If there was a difference in the machines, the management took some capex & replaced the machines. Once the mills were technically at par, the workers had to change. But, the competitors permitted the visits solely because of good relations with them.

The capacity of production was also increased to absorb the spare workers. Thus “Our productivity increased from 64 workers producing one ton in 1974-75 to 34/35 workers producing one ton in 2004-2005” (JK Bhagat, personal communications, December 16, 2005)

Quality circle meetings – Departmental heads or supervisors & workers of concerned department met outside working hours to discuss quality processes, disciplinary action, machines repair and maintenance, incentive schemes for productivity and the likes. The company on its recommendation instituted ‘Best weaver of the month’ and ‘Best spinner of the month’ awards.

Hoardings were put up on the factory shop-floor. There were posters in the vernacular language so that the labour could comprehend the messages.

Head of the unit at the plant level and the Personnel Manager who was also the head of the labour dept. interacted with the union leaders of the 8 unions of NJML (now there are 10 unions). There were five to six HR officers who interacted with the Sardars and the influential workers at different levels.

The management identified influential workers and then communicated with them. The number of employees was large (4000) and the manning pattern was also detailed. Besides, the managers had grown up in the environment and they understood the intricacies. Therefore, they knew when hierarchy was not important.
and convincing two or three workers who were more vocal and influential would do the job better. Thus, the effort was to make them understand the problem and solution and then they could carry the house through.

Feedback was also collected in an unstructured manner at all the levels to make sure that everyone was in the loop for anything to do with them. “Everyone is not very open in meetings. But they go out and make comments to colleagues. Once the informal feedback is received, the management has to work on it.” (Ashutosh Bhagat, personal communications, December 18, 2005)

**Tackling the Naxals:** Both formal and informal feedback played an extremely important role in resolving issues with the workers. For instance, there was an anti-establishment movement by a group that called itself Naxals. They opposed anything that the management or other unions had to say and did get a foothold in the short term. But, with the support of major unions the management convinced their members that the Naxal group was misguiding them and that ultimately the viability of the factory was necessary.

**Analysis**

The case of the turnaround of NJMCL reveals how stiff competition from synthetic fibre, import duty on raw material, government policies such as JPMA 1987, tariffs imposed by textile ministry, labour policies and the likes impacted the working of the jute industry in general and NJMCL in particular. Thus, environmental changes were drastic and NJMCL was unable to respond to those changes effectively resulting in a decline that led to a sick state. Thus, the case strongly supports the first stage of the theoretical model proposed.

When NJMCL was in a sick state, the brokers of raw material and the end product were aware of NJMCL’s constraints and as NJMCL management revealed, they took full advantage to sell or buy at uncompetitive rates. The Bankers refused to give loans until NJMCL brought in equity to establish intent to revive. The workers were indulging in wastage and anti-establishment movements. Thus there were disabling forces emanating from various stakeholders. The industry associations and some of the government policies, however, were supportive and exerted enabling forces but probably were not strong enough to counteract the disabling forces.

The case of turnaround of NJMCL strongly supports the third stage of the model as the process of turnaround got initiated only when the management assumed the responsibility, invested a sum of INR 10 mn as security to get more funds to establish
their intent to turnaround the Company. The management then worked with various stakeholders to enable the turnaround objectives such as initial control to curb wastages and improve productivity, improve co-ordination, mobilization, negotiation and development of industry wisdom. The management enabled these through various as formal and informal communication actions that are tabulated in the table given below. Thus the case strongly supports the third stage of the theoretical model proposed in this study.

### Framework 5.6

The Match between the CS for OTA framework and the communication strategy of NJMCL during turnaround

<table>
<thead>
<tr>
<th>Stakeholder/ Turnaround Element (objective)/</th>
<th>Possible Communication Action</th>
<th>Theoretical Pattern</th>
<th>Case Pattern</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Board of Directors/ Shareholders</strong></td>
<td></td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>1.1. <em>Gain support and time in the future</em></td>
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<td>×</td>
</tr>
<tr>
<td>1.1.1. Present detailed turn-around plan</td>
<td></td>
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<tr>
<td><strong>2. Staff and Employees</strong></td>
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<td></td>
<td>v</td>
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<tr>
<td>2.1. <em>Credibility building actions by the new management</em></td>
<td></td>
<td>×</td>
<td>—</td>
</tr>
<tr>
<td>2.1.1. Document, and communicate a strategic turn-around plan</td>
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<tr>
<td>2.1.2. Publicize success in resolving a current crisis or problem</td>
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<tr>
<td>2.1.3. Make decisions transparent</td>
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<td></td>
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<tr>
<td>2.1.4. Exercise Communication Control (control on promises rolled out)</td>
<td></td>
<td>—</td>
<td></td>
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<tr>
<td><strong>2.2. Initial Control</strong></td>
<td></td>
<td>v</td>
<td>—</td>
</tr>
<tr>
<td>2.2.1. Order preparation of daily, weekly and monthly cash forecasts</td>
<td></td>
<td>v</td>
<td>—</td>
</tr>
<tr>
<td>2.2.2. Exercise Communication Control.</td>
<td></td>
<td>v</td>
<td>—</td>
</tr>
<tr>
<td>2.2.3. Seek views on the general well being of the employees.</td>
<td></td>
<td>—</td>
<td>—</td>
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<tr>
<td><strong>2.3. Mobilization of organization for turnaround</strong></td>
<td></td>
<td>v</td>
<td>—</td>
</tr>
<tr>
<td>2.3.1. Include key managers for development of industry wisdom</td>
<td></td>
<td>v</td>
<td>—</td>
</tr>
<tr>
<td>2.3.2. Include only key managers for development of vision</td>
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<td>—</td>
</tr>
<tr>
<td>2.3.3. CEO should deliver the vision presentation in person and as often as possible.</td>
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<td>×</td>
<td>—</td>
</tr>
<tr>
<td>2.3.4. Hold special sessions for non-participating managers after vision has been developed to share planned vision</td>
<td></td>
<td>×</td>
<td>—</td>
</tr>
<tr>
<td>2.3.5. Inject urgency in the communications plan. Explain what needs to be done and why</td>
<td></td>
<td>×</td>
<td>—</td>
</tr>
</tbody>
</table>
2.3.6. Listen to the views of all managers. Gauge their reaction.
2.3.7. Understand perceptions and focus minds of managing team. Set the scene for turnaround.
2.3.8. Ensure all employees know what is going on, for what reason and how it will occur.
2.3.9. Share the pulpit (Empowerment)
2.3.10. Deal with concerns of employees in open and honest manner. Offer follow up sessions.
2.3.11. Note any comments or queries and provide answers asap.
2.3.12. CEO must get out of the office to interact with the employees and to listen to them.
2.3.13. Employ open ended communication style that encourages employees to find answers, take decisions.
2.3.14. Repeatedly affirm the Company’s mission, core values, and the primary goals of profit and growth.
2.3.15. Articulate a few highly concrete targets for the company for the next few months.
2.3.16. Involve the staff to identify solvable problem areas and have their views on uninvolved areas.
2.3.17. Rephrase people’s roles to clarify managerial responsibilities.
2.3.18. Top managers must emphasize on integrity, fairness, hard work, resourcefulness and concern for the staff during interactions with the staff.
2.3.19. Publicize and celebrate every employee and team success.

2.4. Internal Co-ordination
2.4.1. Offer constant feedback to keep organization on track.
2.4.2. Set up co-ordination committees for co-ordinating interdependent departments.
2.4.3. Institute a monthly performance review meeting of all senior managers chaired by the chief executive.
2.4.4. Insist that lower level disputes be settled at that level on a face to face basis.
2.4.5. Keep the atmosphere light.
2.4.6. Keep enhancing communication technology – email, mobile, ERP.

3. Unions
3.1. Negotiation of support of Unions and neutralization of Unions’ pressures
3.1.1. Brief unions on the problems and strengths of the unit and some tentative turnaround plan.
3.1.2. Get them to suggest turnaround steps.
3.1.3. Seek support, concessions etc. from the unions.
3.1.4. Evolve jointly a broad turnaround strategy.
3.1.5. Keep unions posted on the progress of the turnaround

3.1.6. Collect informal feedback for better negotiations

4. Banks and Financial Institutions

4.1. Negotiation of support of Banks and/or FIs and neutralization of Banks and/or FIs pressures

4.1.1. Brief Banks and/or FIs on the problems and strengths of the unit and some tentative turnaround plan

4.1.2. Get them to suggest turnaround steps

4.1.3. Seek support, concessions etc. from Banks and/or FIs

4.1.4. Evolve jointly a broad turnaround strategy

4.1.5. Keep Banks and/or FIs posted on the progress of the turnaround

4.1.6. Protracted negotiations with the banks and Financial institutions

4.1.7. Requires personal interaction of promoter/ top management with Bank senior officials

5. Government

5.1. Negotiation of support of Government and neutralization of Government pressures

5.1.1. Brief relevant government departments on the problems and strengths of the unit and some tentative turnaround plan.

5.1.2. Get them to suggest turnaround steps

5.1.3. Seek support, concessions etc. from the government

5.1.4. Evolve jointly a broad turnaround strategy

5.1.5. Keep the government posted on the progress of the turnaround

5.1.6. Maintain direct contact; avoid via medias or advisors

5.1.7. Approach Government through industry associations

6. Suppliers

6.1. Negotiation of support of suppliers and neutralization of Supplier’s pressures

6.1.1. Brief suppliers on the problems and strengths of the unit and some tentative turnaround plan.

6.1.2. Get suppliers to suggest turnaround steps

6.1.3. Seek support, concessions etc. from suppliers

6.1.4. Evolve jointly a broad turnaround strategy

6.1.5. Keep suppliers posted on the progress of the turnaround

6.1.6. Seek new suppliers who are willing to give credit and cooperate

NEW

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7. Customers

7.1. Negotiation of support of customers and neutralization of customer's pressures

7.1.1. Brief customers on the problems and strengths of the unit and some tentative turnaround plan.

7.1.2. Get customers to suggest turnaround steps

7.1.3. Seek support, concessions etc. from customers

7.1.4. Evolve jointly a broad turnaround strategy

7.1.5. Keep customers posted on the progress of the turnaround

7.2. Sourcing industry information for quick cost reduction

7.2.1. Increase costs incurred on communication technologies, if need be, for sourcing industry (market) information

7.2.2. Active association with industry association

7.2.3. Develop informal contacts with peers in industry

7.3. Revenue Generation

7.3.1. Unfocused advertising and promotion be more sharply focused

7.3.2. Build Brand Image

8. Industry Association

8.1. Influence government policies

8.1.1. Build image of a senior member of the company as significant opinion holder

8.1.2. Actively participate in the association’s activities

8.2. Keep track of industry developments

8.2.1. Actively participate in the association’s activities

Validating the propositions

Proposition $P_{1,4}$: Every company that undergoes a turnaround would necessarily have to address some of the communication objectives given in the framework though not necessarily all.

Framework 5.6 indicates that NJMCL management addressed 10 (2.2, 2.3, 2.4, 3.1, 4.1, 5.1, 6.1, 7.1, 7.2, 7.3) and did not address 2 (1.1, 2.1) of the 12 communication objectives listed in the theoretical framework proposed.

Thus, the turnaround of NJMCL indicates that NJMCL management addressed some of the list of objectives given in the proposed framework but not all. It thus supports Proposition $P_{1,4}$.
Proposition P1b: The list of communication objectives given in the proposed theoretical framework is comprehensive

Framework 5.6 indicates that NJMCL management addressed 10 (2.2, 2.3, 2.4, 3.1, 4.1, 5.1, 6.1, 7.1, 7.2, 7.3) and did not address 2 (1.1, 2.1) of the 12 communication objectives listed in the theoretical framework proposed. In addition, NJMCL also addressed 2 communication objectives (8.1, 8.2) that were not listed in the theoretical framework suggested.

Thus, for the turnaround of NJMCL, the list of communication objectives given in the framework is suggestive but not comprehensive. It thus does not support Proposition P1b.

Proposition P2a: Every company that undergoes a turnaround would necessarily have to address some of the critical stakeholders given in the framework.

Framework 5.6 indicates that the NJMCL management addressed 6 (2, 3, 4, 5, 6, 7) of the 7 critical stakeholders during the turnaround of NJMCL. The only stakeholder not earmarked as being addressed is the Board of Directors. This is because the promoter, Board of Directors and top management happened to be the same. However, NJMCL management also considered industry associations as a critical stakeholder.

The turnaround of HMCL therefore supports Proposition P2a.

Proposition P2b: The list of critical stakeholders to be addressed during a turnaround is comprehensive.

Framework 5.6 indicates that the NJMCL management addressed 6 (2, 3, 4, 5, 6, 7) of the 7 critical stakeholders during the turnaround of NJMCL. The only stakeholder not earmarked as being addressed is the Board of Directors. This is because the promoter, Board of Directors and top management happened to be the same. However, NJMCL management also considered industry associations as a critical stakeholder.

Thus, for the turnaround of NJMCL the list of critical stakeholders was mandatory but not comprehensive. It thus does not support the Proposition P2b.

Proposition P3a: At least one of the communication actions listed in the proposed theoretical framework, is employed to realize a corresponding communication objective during turnaround.

Framework 5.6 indicates that for each of the 10 communication objectives listed in the theoretical framework and addressed by NJMCL management, at least one
communication action listed thereof was employed by the NJMCL management during turnaround. However, it also indicates 9 new communication actions (3.1.6, 4.1.6, 4.1.7, 5.1.6, 5.1.7, 6.1.6, 7.2.2, 7.2.3, 7.3.2) were adopted by NJMCL management for the addressing these 10 communication objectives during turnaround. The other 2 communication objectives (1.1, 2.1) listed in the proposed theoretical framework were not addressed by NJMCL management and hence communication actions suggested thereof have not been employed. Also 3 new communication actions (8.1.1, 8.1.2, 8.2.1) were adopted to achieve the 2 new communication objectives (8.1 and 8.2)

Thus, the turnaround of NJMCL indicates that it employed atleast one communication action listed in the proposed theoretical framework to realize a corresponding communication objective. It thus supports Proposition P3a.

Proposition P3b: The list of communication actions recommended for achieving the communication objectives is comprehensive

Framework 5.6 indicates that NJMCL management adopted 29 communication actions; did not adopt 17 communication actions; and did not provide information on 14 communication actions of the total of 60 communication actions listed in the theoretical framework proposed. It also indicates that NJMCL management employed 12 new communication actions (3.1.6, 4.1.6, 4.1.7, 5.1.6, 5.1.7, 6.1.6, 7.2.2, 7.2.3, 7.3.2, 8.1.1, 8.1.2, 8.2.1). These actions were not listed in the theoretical framework proposed. The turnaround of NJMCL thus suggests that the list of communication actions given in the theoretical framework proposed is not comprehensive. It thus does not support Proposition P3b.
Background

RP Goenka (RPG) Group in technical collaboration with DuPont USA set up India Polyfibres Ltd. (IPL) to manufacture 15,000 MT per annum of Commodity Polyester Staple Fibre (PSF) at Barabanki, UP\(^\text{41}\) in 1985. The production was commissioned in 1987 and the company was doing well until 1991 when it was hit by the new industrial policy of India (1991) that exempted industrial undertakings from licensing requirements subject to some conditions. From a time when the PSF was in short supply owing to restricted capacity, IPL was now in a market where the supply exceeded the demand. Further, with the reduction of import duty the industry was thrown open to global competition. Thus, the products had to additionally compete with foreign goods. “Cost effectiveness and marketing became essential for survival. IPL was not prepared for either.” (Narendra Kumar, personal communications, 24 November 2005)

The downfall of IPL began and continued till 1997 and its networth was reduced to INR (103.3) mn. In 1997, Reliance Group holding Companies bought IPL from the RPG Group. There was a strategic alliance between Reliance Petrochemicals Ltd (RPCL) and IPL and the turnaround process was initiated. IPL’s changed performance started to show results and by year 2000 turned positive (INR 275 mn). The company has since been doing well. (See Table 5.7.1 and Chart 5.7.1)

Table 5.7.1: Performance of IPL during 1996-2005; turnaround in 2000

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross sales (in mn)</td>
<td>1706</td>
<td>1284</td>
<td>978</td>
<td>1090</td>
<td>279</td>
<td>862</td>
<td>1101</td>
<td>1866</td>
<td>2398</td>
<td>2398</td>
</tr>
<tr>
<td>Net worth (in mn)</td>
<td>-835</td>
<td>-1033</td>
<td>-1291</td>
<td>-378</td>
<td>275</td>
<td>293</td>
<td>310</td>
<td>330</td>
<td>423</td>
<td>244</td>
</tr>
</tbody>
</table>

\(^{41}\) Barabanki is a small town located 30 km from Lucknow, the capital of Uttar Pradesh (UP). UP is the largest state of India located in northern part of the country.
Sapra, President of the Polyester Division of the Reliance Group spearheaded the process of turnaround. As a policy, RPCL management decided to appoint the Managing Director from the Company itself. “This was to send a message that Reliance firmly believed in the Company’s capabilities and that with improved direction from the promoters the company could really do well” (Raja Ram, Director RPCL, personal communications, April 4, 2006). Narendra Kumar, the plant head at IPL was promoted as the Managing Director of IPL while the Chairman was eased out.

When Reliance took over IPL the external and internal challenges that IPL was facing at that time were as follows

**External Issues**

**Government Policies:** “The decision of establishing IPL at Barabanki in 1984 was also a politically guided decision that proved to be strategically incorrect. This was because the raw material for the product had to be sourced from Maharashtra and Gujarat and the market for the end product was also mainly in Maharashtra and Gujarat. Owing to the additional freight charges the product was uncompetitive in the market.
Also, the power supply was available in UP at INR 4 per unit as against INR 1 per unit available in competing states of Maharashtra and Gujarat. This made the cost of production further uncompetitive in national markets.” (Narendra Kumar, personal communications, 24 November 2005).

**Customer confidence:** “Since IPL was a sick unit, the customers naturally had fears on how long will the supply continue and also had concerns about quality. Though, owing to reasonably good quality fibre produced at IPL in the past, quality issues were not so serious.” (Raja Ram, Director, IPL, personal communications, April 4, 2006). Besides, the customer had a wide choice owing to higher supply against demand.

**Supplier Relations:** “When IPL was not doing well, it was unable to pay Suppliers in time. Also since the company became sick, no one wanted to lend them money”. Also owing to the transport cost the physical distance from the supplier was a major concern.

**Financial Institutions:** When the new management took over, IPL owed INR 1500 mn debt to financial institutions. Naturally, they were not ready to give extra loans. “It was tough because they were not ready to give any loans and we had exhausted our WC. Other problems such as the refusal to increase the LC limits forced us to work through another company for buying our raw material. This company would then sell to us high seas.” (Narendra Kumar, personal communications, 24 November 2005).

**Internal Issues**

**Uneconomical production capacity:** IPL was producing small quantities (90 tons per day) of PSF and thus the cost of production was uneconomical. Since PSF was a commodity fibre it was difficult for IPL to sell it, owing to high costs, although there was otherwise high demand for the white colour PSF being produced by IPL.

**Limited exposure to market demand:** “It was hard for IPL to believe that big (90 tons/day) quantities of black fibre, which is not as big a market as the white fibre, could be sold in the market. This was more so because they had been selling fibre only within the national boundaries and had no exposure to international demands” says Raja Ram,

**Resistance to producing Black Fibre:** IPL for a long time had been producing white fibre. Switching to black fibre meant dealing with a new process. This new process produced a waste which was now black instead of white. The work area
would therefore be dirty. “There were imaginary problems in handling the black waste which was not good to feel as the workers were more accustomed to the white waste” shares Raja Ram

**Bottlenecks:** There were technological bottlenecks that limited the production capacities.

**Internal Strategy**

“The one good thing at IPL was that the production norms were outstanding and the Company had bagged a National Energy Award” (Narendra Kumar, personal communications, 24 November 2005). Commitment, motivation, clean and safe environment, health of employees were prime concerns. Camaraderie and working culture were important. The uniform was adopted at IPL to further team spirit.

**Meeting the challenge of marketing:** Just before Reliance takeover, IPL had signed Conversion agreements with several customers like Bombay Dyeing, Reliance and the likes. Under these agreements the customer supplied the raw material and IPL converted it to the end product and supplied it back to the customer.

In 1998 IPL had a strategic alliance with Reliance Petro-products P. Ltd. Thereafter, it had a conversion agreement with RPCL for 100% of its produce. It thus received all the raw material from Reliance group companies and Reliance picked up the complete produce. The marketing effort was thus passed on to the Reliance Group.

**De-bottlenecking:** The capacity was gradually increased from 1500 MT/annum to 22,400 MT per annum by de-bottlenecking.

**Uneconomical capacity converted into niche product facility:** The new management accepted that it could not do away with the shortcomings of locational disadvantage. Besides, the capacity for production was uneconomical for a commodity fibre. It therefore decided to innovate and value-add to produce a niche product that was difficult to replicate and could fetch a higher price tag.

So, IPL became the first company to produce Dope Dyed Black Polyester Fibre in 1999. The objective was to diversify with manufacturing of specialty fibre, for future survival. Despite considerable risks of failure, the Company chose to implement an untried and unique process. Necessary changes and modifications in plant and machinery were carried out to undertake test/ trial runs for ascertaining technical viability, determining modifications and additional equipment required for sustained operations and simultaneously adhere to the desired quality levels.
At the time of the interview, the Company is producing Dope Dyed Black Polyester fibre, which was sold at a premium of 25% over normal fibre. “It is the first time that Black fibre has been produced by continuous process on PTA route anywhere in the world. Today, IPL is the largest producer of Dope Dyed Black Polyester Staple Fibre in the world and about 40% of its production is exported” (Narendra Kumar, personal communications, 24 November 2005)

**Communicating the Vision and Mission:** “Communication is very important no doubt, because it is only through effective communication that people can be made aware of the problems of the organization. In running any business, in general and during a turnaround process specifically it is very important that the organizational members understand the Vision and Mission of the Company because only then they will be able to work towards one objective. Thus, communication makes a team homogeneous. The vision and mission of IPL was thus very widely circulated and shared to ensure a complete buy-in by the employees.” (Narendra Kumar, personal communications, 24 November 2005)

Sapra, the new Chairman of IPL, initiated the process by personally visiting the factory to address the staff and the workers very persuasively and share the future plans with them. The technical and marketing team members kept visiting IPL factory to share success stories with the employees.

Discussion groups of 15-20 people were regularly organized to share the vision and mission of the company. The mission was reviewed periodically to refocus the Company’s strategies. Departmental missions and actions plans were drawn, implemented and monitored accordingly. (Narender Kumar, Transformation at IPL-a case study, 2002)

To share the strides of success that the Reliance Group was making a newsletter was started. “This made the employees feel that they were part of a big group and could feel proud of the progress that they were making as a part of it” (Raja Ram, personal communications, April 4, 2006)

Walk the talk is the primary principle of good communications. For instance IPL has adopted a safety policy which lists a speed limit. “I make sure that I check my driver if he overshoots the speed any time”. (Narendra Kumar, personal communications, 24 November 2005)

The demonstration has to be on a continuous basis for instance we have a uniform dress code that each IPL employee must adorn every day. When the Princess of
Denmark visited IPL, the MD met her at IPL in the IPL uniform. "This develops a sense of pride amongst the employees who then proudly wear the same uniform as the MD. Similarly, goes the punctuality norm at the Company." (Narendra Kumar, personal communications, 24 November 2005)

When IPL issued a policy of checking the car storage areas before any car left the office there was a major uproar. Employees claimed that the policy reflected lack of trust. "That day I purposely left the office at the same hour when the other employees leave IPL for home. Right amidst all of them, I parked my car, got my car storage area checked and left. There was no murmuring on the issue thereafter" (Narendra Kumar, personal communications, 24 November 2005)

This is visible from various communications floating through the organization. Messages were also carefully phrased and communicated in the organization. For instance posters on how to 'Make your Work easier' or to promote health and safety precautions in the factory were put up all over the factory premises. Thus yet another principle underlying the communications floated at IPL was to 'Take care of people and ask them to take care of themselves'.

Then, there was resistance to producing Black fibre that had to be addressed. "Narendra Kumar was very supportive of the change and he could see that this was the only way the Company could survive the emerging challenges. He therefore did a lot of persuading and explaining to address the concerns. As workers realized that complaints were imaginary and the change was for the better the complaints faded away over a period of time "(Raja Ram, personal communications, April 4, 2006).

Enhancing Communication for improving efficiency and Cost Competitiveness: "The communication strategy wasn't documented but the strategy was very clear and it came in phases, module wise" (Narendra Kumar, personal communications, 24 November 2005). IPL believed that there were inefficiencies owing to lack of smooth communication flow and the challenge was to reduce cost of operations through efficient communication.

"The aims of the communication strategy were: 1. Make Communication faster (With email communication adopted as official communication, the system of photocopying was rendered useless. IPL became an almost paperless organization with much faster communication flow) 2. Improve process flow for better and faster knowledge sharing 3. Better communication for more involvement of people 4. Maintain focus of employees on what management wants them to do so that the focus is not lost. This
strategy may not be in black and white but communication was a high priority. This was evident from the extensive communication technology adaptation that IPL went for, in that phase”. (Narendra Kumar, personal communications, 24 November 2005)

Every PC in the Company was connected to the LAN. The emails were enabled by Lotus Notes. They had fully enabled all modules of SAP including those of materials and plant management, finance and accounts, production, SAP & HR etc. The SAP had complete handshake with the Reliance system. This facilitated resource sharing in the sister concerns. Thus, if a machine part was required at IPL, they could just log on and check inventories at all Reliance sites to source it from where it was available. They had knowledge sharing portals, online tracking system for everything, capital expenditure, complaints and customer visits.

The advantages were immense. for instance, if anybody from any branch visited a customer, it was reflected on the terminal so that any IPL employee visiting the customer thereafter was well informed of the history of IPL transactions with that customer. Similarly, the communication technology had also enabled a forward flow of communication through right channels. With proper authorization to create, to change, to approve or to let capex or vouchers or any file flow, well defined, the progress was transparent and well tracked. This enabled a smooth flow of communications and efficient transactions.

We ensured regular communication with employees, customers, shareholders, financial institutions and banks, and suppliers

This also ensured that IPL was in the Reliance fold. “The main focus was to ensure uniformity of systems. Thus IPL became an integral part of Reliance Group”. (Raja Ram, personal communication, April 4, 2006)

While Reliance spent all the money to extend its SAP platform to IPL, IPL in turn spent all the money to train the workers and staff to completely adopt the SAP software. Every official communication in IPL was made in soft copy – a leave application, an approval, salary processing, bill processing and almost any internal transaction. Yet another benefit of SAP was that IPL was able to benchmark against other factories or sites of Reliance. Inter-site comparison was an ongoing process and that enabled the development of action plans.
Higher end communication technologies have been adopted in IPL for instance video conferencing between Germany, Mumbai, two plants in Hazirabad and IPL Bara Banki is a regular weekly feature.

The mobile phones increased the pace of communication. SMS was not used extensively. Internet was used for more information, literature survey, Supplier information and the likes. IPL did not develop a website as it never felt the need to market its product.

**Involvement for continuous innovation:** ‘Suggestion Scheme’ was a great success at IPL. for every suggestion received in the box, the Company gave away token gifts. After the suggestions were evaluated by the department the suggestions monetary rewards are given away on the basis of specific guidelines. Each presentation also fetched a gift from the Company. “The idea was a roaring success to the extent that when family members did not get a gift for a long time, they checked whether all was well. These were token gifts like calculators, insulated plastic bottles, Thermos or any other item. (Narendra Kumar, Quality Manager, personal communications, 24 November 2005)

**Performance Reviews/ Team Spirit:** Regular monthly performance review meetings were held where 20 to 25 senior people got together to review the performance. All members therefore were abreast of developments in every other sphere. This enabled them to appreciate cost of production, performance of other departments, issues faced by IPL and forward paths. Thus, no one is working in isolation and a team spirit is fostered.

**Other Communication Interventions**

**News letter:** To keep the employees up-to-date with the latest developments, IPL started a quarterly newsletter – The IPL Times. This encouraged all employees to share their experiences.

**Quality Centre:** The quality centre in the plant was the central place for information sharing with the operating personnel. All the key parameters of plant and customer complaints and different plant models were at this location.

**Communication for safety measures:** IPL being a petrochemical based plant, its approach towards safety was “Safety of a person overrides all production targets”. It took several measures to communicate the message – a formal programme to educate the employees, posters and talks to educate employees, posters all over the factory, learning with fun by organizing slogan writing competitions and
other activities for employees and their families etc. (Narender Kumar, Transformation at IPL – a case study, 2002)

Well documented quality, training, performance, safety and other policies that were extensively shared with all the employees.

External Communications at IPL

Financial Institutions and Banks: IPL had to pay roughly INR 1500 million to the financial institutions. Protracted negotiations led by Indu Bhai Sheth and the merger and acquisition team of Reliance took place with financial institutions. “These were endless hours and days of waiting to see who blinks first” (Raja Ram, personal communications, April 4, 2006). We knew we had to pay but we also knew that they know we will make a success story. Finally, a deal in which one third was paid in cash, IPL expanded its share capital base and one third was converted to equity while one third was converted to zero coupon debenture for 13 years. The negotiated deal was submitted to BIFR for ratification and signed thereafter.

When the Company was in red, continuous communication through regular meetings, presentations and discussion of problems was required until one final settlement was reached.

Persistent Interactions and Presentations to Convince: The marketing team visited the customers and made presentations to convince them. “We emphasized that the raw material was now the same as in any other Reliance facility and that there is no difference in the quality produced at Hazira or BaraBanki”. The team built credibility by sharing the example of JCT (that Reliance had recently acquired) where the product quality was not as their standards, and the Company junked the entire produce of 4/5 months as waste.

“While the initial concern of IPL was whether it will be possible to sell such quantities of Black fibre, today the market penetration has increased so much, that given the challenge to sell all of Black polyester fabric in India we can do it. We maintain exports because of our interest in exports and not because we do not have local markets” claims Raja Ram

However, initially a major part was exported for instance to the Middle East where Burkas are made out of polyester fabric.

Ensuring quality to ensure customer satisfaction was another focus area. “There are regular plant visits organized for the Reliance employees. Country wide Customer
Satisfaction surveys are conducted annually. Customer Satisfaction Index for each mill gives a rating to measure performance. Action plans are then drawn up for improved performance. Customer satisfaction is ensured through product quality, timely delivery, after sales service, effective pricing and packaging” shares Narendra Kumar.

**Suppliers:** The most important raw material in a polyester plant is PTA and MEG. These constitute 70% of the total inputs. The balance includes packaging, machinery supplies etc. Reliance produces PTA and MEG and thus became the sole supplier for IPL. For other materials as well, Reliance employed common platform to source material for all of its polyester units. “The suppliers were delighted to know that Reliance was now a promoter. This gave hope that their payments would now come through” says Raja Ram.

As regards other Suppliers, IPL had to build credibility. It therefore decided to build the confidence by being transparent and fair. “For instance, IPL had five transporters and issue of payment cropped up now and then. We decided to release equal (pro rata) payments to each one of them as and when they received any payments or IPL was ready to make payments. This saved the transporters the anxiety that the accounts section was being partial and also kept giving each one of them some hope that the money would keep flowing in although slow. After that we had no complaints whatsoever regarding the payments” (Narendra Kumar, personal communications, 24 November 2005)

Supplier’s interest is in payment and long term business. When SAP was implemented, automatic cheque processing and printing became a reality. The purchase planning was done much in advance and suppliers were kept informed of the purchase plans. This greatly enhanced efficiency and kept the Suppliers happy. “We thus were able to maintain excellent relations with our Suppliers and were able to develop Suppliers for special needs by educating them and making them partners in the process” says Narendra Kumar.

**Government:** Getting Interactions: Communication with Government or environmental agencies were as per statutory requirements. Voicing concerns about the policy was done through the industry associations.

Narendra Kumar alongwith Vinod Arora dealt with the concerned government authorities to get exemptions, if applicable. For instance, there was a state government policy that if any Company invested more than INR 500 mn to diversify
then it would get a sales tax exemption. Since IPL had invested almost INR 700 mn for diversification, it got the ST exemption.

**Shareholders:** Regular communications were sent to keep the shareholders informed and interested. For instance, the change in management, 100% buy-sell arrangement between Reliance and IPL were publicized. “However, shareholder’s interests are to get dividend, bonus shares or market value of shares and those expectations are still to be met though all this is a preparation towards that” says Narendra Kumar.

**Media:** “We remained aloof from the media because public at large was not a customer for us.” Also, since IPL was producing an industrial product there was neither a need for advertising nor for any media coverage. “Some stories about turnaround did appear but they were at the initiative of the media. We neither blocked nor promoted media relations” says Raja Ram.

“Moreover, Bara Banki is a town notorious for rioting by locals. We therefore try to maintain a low key image. Infact, the previous President Kukereja managed operations from Lucknow and interacted extensively with the media as liasoning with the government agencies for marketing IPL products was his focus. However, maintaining contacts and entertaining IAS officers and the likes did not pay off” laments Narendra Kumar.

**Collaborators:** IPL had a technological collaboration with Du-Pont in the initial stage but that had expired as Du-Pont’s interest in Polyester had diminished worldwide. Though any technical assistance could still be sought on a payable basis. This collaboration had no implications for the turnaround process.

**Industry Associations:** IPL had always been a member of the Lucknow Industry Association and continued to be so. The industry concerns such as on electricity rates etc could be voiced through these associations. “While Industry Associations did voice the industry concerns they had no role to play in the turnaround process” says Raja Ram, RPCL.

**Analysis**

The case of turnaround of IPL strongly supports the first stage of the theoretical model suggested. The environmental changes triggered by change in the industrial policy of Government of India rendered the company sick. Thus, as suggested by the model, when the company did not respond to the environmental changes, it declined to the extent of sickness.
When IPL was sick, the financial institutions, customers and Suppliers were all exerting disabling forces on the sick organizations. However, unlike what is suggested in the model the internal stakeholders, namely the employees were not exerting disabling forces though it appears that they were also not exerting enabling forces by working to find a solution to the problem. Thus we may need to slightly modify the model to introduce the aspect of neutral forces being exerted by some stakeholders such as employees, collaborators, mass media and industry associations in this case.

The case strongly supports the third stage of the model that purports the central role that a management has to play by taking charge of the situation, planning a strategy and then enabling the turnaround through communication actions. In this case, when Reliance took over IPL, it addressed the core issues of cost competitiveness by introducing a niche product. This, besides investing in funds required the organization to wholeheartedly accept the proposition and implement it with great efficiency and quality. This meant addressing issues of resistance to the black dust that had to be managed, to gather momentum and acceptance, to develop faith in the proposal, to downplay the fact that the company had been acquired, to continue to improve the health, quality and safety measures and to improve efficiency by using communication technology interventions.

IPL was able to achieve not just a turnaround but a healthy growth after the turnaround.

As per findings from this study, the model must be changed to indicate that some stakeholders might exert neutral forces. The communication actions employed in the case of IPL are documented against the model in the following Framework 5.7

<table>
<thead>
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<th>Framework 5.7</th>
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<td><strong>The Match between the CS for OTA framework and the communication strategy of IPL during turnaround</strong></td>
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</table>

| Stakeholder/ Turnaround Element (objective)/ Possible Communication Action |
|---|---|
| 1. Board of Directors/ Shareholders | |
| 1.1. Gain support and time in the future | |
| 1.1.1. Present detailed turnaround plan | |
2. Staff and Employees

2.1. Credibility building actions by the new management

2.1.1. Document, and communicate a strategic turnaround plan

2.1.2. Publicize success in resolving a current crisis or problem

2.1.3. Make decisions transparent

2.1.4. Exercise Communication Control (control on promises rolled out)—

2.2. Initial Control

2.2.1. Order preparation of daily, weekly and monthly cash forecasts

2.2.2. Exercise Communication Control.

2.2.3. Seek views on the general well being of the employees.

2.3. Mobilization of organization for turnaround

2.3.1. Include key managers for development of industry wisdom

2.3.2. Include only key managers for development of vision

2.3.3. CEO should deliver the vision presentation in person and as often as possible.

2.3.4. Hold special sessions for non-participating managers after vision has been developed to share planned vision

2.3.5. Inject urgency in the communications plan. Explain what needs to be done and why

2.3.6. Listen to the views of all managers. Gauge their reaction

2.3.7. Understand perceptions and focus minds of managing team. Set the scene for turnaround.

2.3.8. Ensure all employees know what is going on, for what reason and how it will occur.

2.3.9. Share the pulpit (Empowerment)

2.3.10. Deal with concerns of employees in open and honest manner. Offer Follow up sessions

2.3.11. Note any comments or queries and provide answers asap.

2.3.12. CEO must get out of the office to interact with the employees and to listen to them

2.3.13. Employ open ended communication style that encourages employees to find answers, take decisions.

2.3.14. Repeatedly affirm the Company’s mission, core values, and the primary goals of profit and growth.

2.3.15. Articulate a few highly concrete targets for the company for the next few months

2.3.16. Involve the staff to identify solvable problem areas and have their views on uninvolved areas.

2.3.17. Rephrase people's roles to clarify managerial responsibilities.
2.3.18. Top managers must emphasize on integrity, fairness, hard work, resourcefulness and concern for the staff during interactions with the staff.

2.3.19. Publicize and celebrate every employee and team success.

2.4. **Internal Co-ordination**

2.4.1. Offer constant feedback to keep organization on track

2.4.2. Set up co-ordination committees for co-ordinating interdependent departments

2.4.3. Institute a monthly performance review meeting of all senior managers chaired by the chief executive.

2.4.4. Insist that lower level disputes be settled at that level on a face to face basis

2.4.5. Keep the atmosphere light.

2.4.6. Keep enhancing communication technology – email, mobile, ERP

3. **Unions**

3.1. **Negotiation of support of Unions and neutralization of Unions’ pressures**

3.1.1. Brief unions on the problems and strengths of the unit and some tentative turnaround plan.

3.1.2. Get them to suggest turnaround steps

3.1.3. Seek support, concessions etc. from the unions

3.1.4. Evolve jointly a broad turnaround strategy

3.1.5. Keep unions posted on the progress of the turnaround

4. **Banks and Financial Institutions**

4.1. **Negotiation of support of Banks and/or FIs and neutralization of Banks and/or FIs pressures**

4.1.1. Brief Banks and/or FIs on the problems and strengths of the unit and some tentative turnaround plan

4.1.2. Get them to suggest turnaround steps

4.1.3. Seek support, concessions etc. from Banks and/or FIs

4.1.4. Evolve jointly a broad turnaround strategy

4.1.5. Keep Banks and/or FIs posted on the progress of the turnaround

4.1.6. *Protracted negotiations with the banks and Financial institutions* NEW

4.1.7. *Educate the concerned bank officials on the working of the business/ industry* NEW

4.1.8. *Requires personal interaction of promoter/ top management with Bank senior officials* NEW

5. **Government**

5.1. **Negotiation of support of Government and neutralization of**
**Government pressures**

5.1.1. Brief relevant government departments on the problems and strengths of the unit and some tentative turnaround plan. ✔️
5.1.2. Get them to suggest turnaround steps —
5.1.3. Seek support, concessions etc. from the government ✔️
5.1.4. Evolve jointly a broad turnaround strategy —
5.1.5. Keep the government posted on the progress of the turnaround ✔️
5.1.6. *Maintain direct contact; avoid via medias or advisors* NEW

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**6. Suppliers**

**6.1. Negotiation of support of suppliers and neutralization of Supplier’s pressures**

6.1.1. Brief suppliers on the problems and strengths of the unit and some tentative turnaround plan. ✔️
6.1.2. Get suppliers to suggest turnaround steps X
6.1.3. Seek support, concessions etc. from suppliers ✔️
6.1.4. Evolve jointly a broad turnaround strategy X
6.1.5. Keep suppliers posted on the progress of the turnaround ✔️

**6.2. Build Credibility**

6.2.1. *Commit payments to build credibility* NEW

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**7. Customers**

**7.1. Negotiation of support of customers and neutralization of Customer’s pressures**

7.1.1. Brief customers on the problems and strengths of the unit and some tentative turnaround plan. ✔️
7.1.2. Get customers to suggest turnaround steps X
7.1.3. Seek support, concessions etc. from customers X
7.1.4. Evolve jointly a broad turnaround strategy X
7.1.5. Keep customers posted on the progress of the turnaround ✔️

**7.2. Sourcing industry information for quick cost reduction**

7.2.1. Increase costs incurred on communication technologies, if need be, for sourcing industry (market) information ✔️

**7.3. Revenue Generation**

7.3.1. Unfocused advertising and promotion be more sharply focused ✔️
7.3.2. *Build Brand Image* NEW
Validating the propositions

**Proposition P,A:** Every company that undergoes a turnaround would necessarily have to address some of the communication objectives given in the framework though not necessarily all.

Framework 5.7 indicates that IPL management addressed 10 (2.1, 2.2, 2.3, 2.4, 4.1, 5.1, 6.1, 7.1, 7.2, 7.3), did not address 1 (3.1) and did not share any information on 1 (1.1) of the 12 communication objectives listed in the theoretical framework proposed.

Thus, the IPL management addressed some of the list of objectives given in the proposed framework but not all. It thus supports Proposition P,A.

**Proposition P,B:** The list of communication objectives given in the proposed theoretical framework is comprehensive

Framework 5.7 indicates that IPL management addressed 10 (2.1, 2.2, 2.3, 2.4, 4.1, 5.1, 6.1, 7.1, 7.2, 7.3), did not address 1 (3.1) and did not share any information on 1 (1.1) of the 12 communication objectives listed in the theoretical framework proposed.

Thus, for the turnaround of IPL, the list of communication objectives given in the framework was comprehensive. It thus supports Proposition P,B.

**Proposition P2A:** Every company that undergoes a turnaround would necessarily have to address some of the critical stakeholders given in the framework.

Framework 5.7 indicates that the IPL management addressed 6 (1, 2, 4, 5, 6, 7) of the 7 critical stakeholders during the turnaround of IPL. The only stakeholder not earmarked as being addressed is the Union (3).

The turnaround of IPL therefore does not support Proposition P2A.

**Proposition P2B:** The list of critical stakeholders to be addressed during a turnaround is comprehensive.

Framework 5.7 indicates that the IPL management addressed 6 (1, 2, 4, 5, 6, 7) of the 7 critical stakeholders during the turnaround of IPL. The only stakeholder not earmarked as being addressed is the Union (3). However, IPL management did not consider any stakeholder other than listed in the framework as critical.

Thus, for the turnaround of IPL the list of critical stakeholders was comprehensive. It thus supports the Proposition P2B.
Proposition $P_{3,a}$: At least one of the communication actions listed in the proposed theoretical framework, is employed to realize a corresponding communication objective during turnaround.

Framework 5.7 indicates that for each of the 10 communication objectives listed in the theoretical framework and addressed by IPL management, at least one communication action listed thereof was employed by the IPL management during turnaround. However, it also indicates 6 new communication actions (4.1.6, 4.1.7, 4.1.8, 5.1.6, 6.1.6, 7.3.2) adopted by IPL management for addressing these 10 communication objectives during turnaround.

Thus, the turnaround of IPL indicates that it employed at least one communication action listed in the proposed theoretical framework to realize a corresponding communication objective. It thus supports Proposition $P_{3,a}$.

Proposition $P_{3,b}$: The list of communication actions recommended for achieving the communication objectives is not comprehensive

Framework 5.7 indicates that IPL management adopted 40 communication actions; did not adopt 13 communication actions; and did not provide information on 7 communication actions of the total of 60 communication actions listed in the theoretical framework proposed. It also indicates that IPL management employed 6 new communication actions (4.1.6, 4.1.7, 4.1.8, 5.1.6, 6.1.6, 7.3.2). These actions were not listed in the theoretical framework proposed.

The turnaround of IPL thus suggests that the list of communication actions given in the theoretical framework proposed is not comprehensive. It thus supports Proposition $P_{3,b}$. 
Case 8

ASIA FAB LIMITED (AFL)

Deciphering Communication during Turnaround

Background

Asia Fab Limited (AFL) was established in 1992 by Black Rose Exports Pvt. Ltd., a trading company engaged in the export of cotton yarn from India. The objective of AFL was to produce and export high quality suiting and other fabrics worldwide using Black Rose’s strong communications with Japanese and other textile trading houses. Owing to internal management problems at Black Rose, neither AFL nor Black Rose Exports performed well. (Anup Jatia, Director Black Rose Pvt. Ltd., email communication, April 4 2006). The ownership of Black Rose exchanged hands twice to be finally with Atma Ram Jatia in 1995. Atma Ram Jatia alongwith his son Anup Jatia aspired to develop it as a trading house for textiles and chemicals.

The performance of AFL kept declining and in 1998 the company’s networth turned negative. By 2001 it had eroded to INR -25 mn but it turned around in 2002 to INR 2 mn and improved thereafter. (See Table 5.8.1 and Chart 5.8.1).

Table 5.8.1: Performance of AFL during 1996-2005; turnaround in 2002

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Unraveling the turnaround

Internal Issues

Jatias after taking over the firm, found that the dyeing unit of the Company was unable to compete in the market place. “This was because competitor companies in the industry were indulging in rampant excise evasion. Since the excise duty was very high at that time, the choice before us was to either join the bandwagon or quit” (Anup Jatia, personal communications, October 18, 2005). Besides, AFL’s dyeing / processing unit capacity was more than the weaving capacity, and hence the variable cost of the dyeing and processing unit was higher than the realization.

The weaving unit was a relatively small labour intensive unit that reaped little returns. Again, the variable costs and the overheads were high and local outsourcing was more cost effective.

There were also issues of lack of accountability owing to misuse of communication gaps. “An example is that you send an email and they claim that they haven’t received the email – the server was down, or make some other excuse. What do you do? You install a hotline and then you notice that all the work is communicated on the hotline. Since there are no records, so there is no way to find out who is responsible. To meet this challenge, if the management seeks written communication, then that is an excuse for slowing down the work. So where to draw the line? Because of such
irresponsible behaviour, checks and balances or follow up is extremely important. *Any possibility of communication gap has to be removed so that there can be no excuse for an error*. (Anup Jatia, personal communications, October 18, 2005).

There was no desire amongst the workers to work effectively. Crucial to future of the unit was a change of culture – a culture where people wanted to work.

Jatias had decided to continue the weaving unit to weave yarn internally and if need be get it dyed outside and then export it. However, they found it very difficult to function smoothly because the factory was located at Kolhapur and the office in Mumbai. The work culture at the two locations was very different. The systems were not in place both at Kolhapur and Mumbai. Problems were aggravated because the communication was not smooth. Somewhere *in the communication chain, the message was getting lost. Thus, it became extremely difficult to continue operating the office from Mumbai and set up the systems at Kolhapur; the way they wanted. Jatias realized that smooth communication was extremely important in the turnaround process.*

*In an attempt to revive the weaving unit (after closing the dyeing unit) the management adopted various communication tools available, such as internet, hotline, telephone line, emails etc. However, they found that since people did not have the intent of using these for the organizational purpose, these were not used for the organizational work and there were innumerable negative effects of communication technology. “Rampant use of SMS, mobile, emails, web downloads for personal use is common practice.”* (Anup Jatia, personal communications, October 18, 2005)

**External Issues**: Owing to various internal problems, AFL decided to switch to another product as a turnaround strategy. However, the process of setting up the new product required AFL management to tackle issues with several external stakeholders.

**Supplier Issues**

“No one was willing to give material to AFL on credit, as AFL’s credibility was low. AFL therefore had to build credibility to manage better rates and credit period from suppliers.” (Ram Nath, personal communications, October 18, 2005)

Owing to the high quality yarn that AFL needed for its processes, there was a need to educate the suppliers to meet its requirements. “For instance the cotton yarn that one normally gets in India is littered with waste while our process requires a very high quality neat yarn. The process involved communicating with the suppliers to ensure
that they have systems to meet this requirement” (Anup Jatia, personal communications, October 18, 2005). Sourcing high quality yarn was crucial to the success of the new product. Creating quality consciousness amongst the suppliers was therefore important.

**Customer Issues:** AFL had only one customer for its product. This customer was a Japanese organization.

With the Japanese customer, *language was a barrier* and therefore *simple clear communication with a constant eye on feedback to ensure that correct meaning was conveyed* was crucial.

The management maintained that when dealing with Japanese people relationship was very important. So they ensured that AFL employees maintained *careful, sensitive and consistent communication* with the customer. This was to be taught to employees so that communication with customer was effective.

**Public at large:** Since AFL dealt in a security product, they were supposed to neither develop any other customer nor reveal any information to public at large. As per legal requirements, only financial statements were issued for shareholder communication.

**Internal Communication Strategy:** Jatias decided that they would not step into the swamp of excise evasion or any other illegal activity. Also, they knew they would not be able to compete in the face of heavy excise levied by the Government. The bold decision of closing the dyeing unit was the only option left and they decided to implement it. The dyeing unit was accordingly closed in July 1998.

While there were some labour problems that were to be resolved, broadly the workers were willing to quit. “Shutting down wasn’t very tedious because we were ready to pay the workers whatever money the workers were entitled to. Also, legally we had an upper hand because we had gradually reduced our workforce to 100 where after retrenchment is allowed legally.” (Anup Jatia, personal communications, October 18, 2005).

*Most of the negotiations were handled by factory seniors. These pertained to compensations and some financial disclosures that had to be made.* The workers were satisfied because they got their salaries and some extra money.

The management decided to be honest and *transparent. It was announced that all workers would get what they legally deserve. If anyone approached AFL management*
to find out about their or company’s future the management minced no words so that the workers could start looking for jobs elsewhere. for the workers who were asked to leave, the management attempted to communicate the company’s constraints and plans, and to ease any unrest and facilitate easy and fast transition. The intent was to get it done at the earliest, as there was no point in lingering on with a bleeding unit.

The factory manager interacted with the workers at the time of closure. The workers often did not understand the seriousness of the issues. At the time of the ‘process house’ closure, however, the workers were clear in their financial demands and they were settled mostly amicably through dialogue. This made it unnecessary for us to obtain any government approvals. At the time of the weaving unit closure, the workers were being guided by their lawyer, who interacted with the management’s lawyer. In this case, too, there was no need to communicate with any government agency.

Jatias realized that it was extremely difficult, if not impossible, for them to institute a new culture in Kolhapur while maintaining the corporate office function in Mumbai. Also, considering the various constraints earlier, the Board decided to close the weaving unit in December 2000. During this period they had already started to look for better alternatives to address the cultural and distance communication issues.

Two important issues, that Jatias however recollect from their experience with the Kolhapur dyeing and weaving units were: need for cultural change and institution of accountability. Critical for enabling this was seamless communication between the management and the employees.

But the management was just not interested in spending energies to set the communication systems in place. It seemed to be an impossible task to manage the factory from a distant location.

It was therefore, decided that AFL would switch from the current business to a business that ensures least manual and communication effort at the Kolhapur factory. “There were close to 200 workers when all the units were in operation. Today there are around 15 in total!” (Anup Jatia, email communication, April 4, 2006)

Jatias developed a customer in Japan for a specialized security product⁴ that they decided to manufacture in India. This product required AFL office to procure a very specialized yarn and supply it to the factory. In the factory, this yarn was to go

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⁴ Owing to security reasons, AFL did not divulge information of the product and the customer
through a specialized process on a specialized machine, and then be exported to Japan. The difficult part was procurement of specified yarn and this function was retained by the Mumbai office. A highly automated plant was set up at Kolhapur and few workers were required to man the entire unit. Thus, very little human intervention and thereby very little communication was needed to make it run smoothly. The function of export of the finished product was retained in the Mumbai office.

The management expected three things from the workers: the workers should not go on strike, they should not form a union and they should not stop production. Therefore, the management made sure that salary levels were maintained. Incentive schemes were also adopted to improve productivity despite the fact that AFL was in red.

The workers were advised to change and accept the new environment. Concepts of customer satisfaction were repeatedly drilled into the minds of the workers. Simple messages such as importance of cleanliness etc. were put across the premises to create awareness and motivate people to change the workplace to be a better place to work. Infact, people took initiatives to clean up places in the factory and even maintain lawns.

**Instituting professional culture at Mumbai office:** Jatias were now only concerned about the culture and work environment at the Mumbai office. The aims of the communication strategy adopted at Mumbai were to improve accountability, ownership, process flow, efficiency and receiver orientation.

**Improve Process Co-ordination and Communication flow for higher Accountability:** Accountability was a serious problem at AFL and Jatias took several measures to improve it. These were:

1. **Honest and Transparent Communication:** AFL management believed in honest and transparent communication would ensure smooth process flow, reduce errors and improve efficiency. They encouraged people to own up responsibility when they err. Lying to hide petty mistakes was just not acceptable and people could be asked to leave the organization just on that pretext. *I emphasized over and over again that telling the truth makes people strong internally and we demonstrated the through our own actions*. (Anup Jatia, Personal Communication, Oct 18, 2005)

   *The new management believed in open communications to resolve disputes and sometimes took harsh decisions, if needed.*
Feedback Process: There was no formal Feedback Process and most of the communication flowed up and down between the adjacent levels in hierarchy though there was informal communication also amongst the employees and the management.

While efforts were made to make people appreciate the importance of clear, honest and transparent communication there were no messages formally coined to instill this attitude in the people's mind.

Communication Infrastructures: The Mumbai office and the factory were connected through a hotline all along and the link was maintained. However, it was stipulated that all official communication was to be documented on the email/mail.

Fresh young and efficient staff and workers who could be groomed to adopt a new culture were recruited. “Today we have very smooth communication flow enabled by LAN, our factory is online, we have a broadband connectivity and everything like supplies, deliveries, couriers etc are technologically tracked. There are no excuses anywhere in the system or process. In fact we use the communication technology to ensure accountability in the system” (Anup Jatia, Personal Communication, Oct 18, 2005)

Email as mode of official communication: AFL installed Lotus notes for internal email communication and Phytheas software for external email communication. The mail gate segregated mail and transferred these to concerned people.

All official communication was over the email. So even if the office layout was open and employees were sitting in adjoining cabins, they were required to send an email for work request. The recipient was expected to respond by the end of the day, whether the task was done, was in process or was not to be done.

Monitoring Communication: A copy of each mail was automatically copied to the directors' account by the server. Since it was not a very large company so reading all mails entailed reading only 400 to 500 emails a day. (each director gets a mail relevant to his/her area).
This according to Anup Jatia had several advantages:

1. Everyone in the company knew that the mails were being copied to his account so there was no element of spying on

2. He provided a backup for any possible lapse.

3. No one used office hours for personal mails. “If they had to send personal mails they could do so from the common area. The inertia was higher in that case and the employees did so, only if necessary.”

Limited Internet Access: Broad band connectivity was established but the access was made available only to the Directors and to a terminal in the common area. Therefore, if a person wanted to access the net he/she had to walk upto the common area and access it.

This again had several advantages

1. It restricted usage of internet to organizational purpose. If there was an urgent need, the employee was free to use the internet for personal purposes as well but not otherwise.

2. It made people organize their work and use internet for optimum time.

3. Kept the staff moving and therefore interacting with each other

4. Helped avoid virus problems

5. Issues of unacceptable downloads etc were also checked in this case. “We haven’t had any such problem but cases of pornographic material being downloaded are common” warns Anup Jatia. “I know of a case in UK where an employee indulged in downloading child porn material. The management had no clue but when the cyber police discovered, the Company was held accountable for all that’s transacted on their network. Such problems I believe can be checked to a large extent, through such simple means” he adds.

Documentation for Transparency: Several Information documentation practices were adopted. These included

i) The Company believed in continuously updating employee information. The HR document stipulates “Salaries of those employees who have not submitted EIF in the month of joining service or who have not submitted the updated EIF in any quarter
ending month, be withheld till the duly filed in forms are received from them". The policy indicates the emphasis this company gives to maintaining updated information systems.

ii) **Access to information** based on the process flow and position or role in the process flow. Most of this information is on the intranet.

iii) However, policies are not yet formally coined and hence are not posted on the intranet.

iv) To ensure ethical practices AFL insisted that no brokerage be paid to any person who was not a Company approved broker. Head Office accounts had a list of all company approved brokers and their agreements. The Purchase order received from the customer and the AFL invoice endorsed or mentioned the name of the broker.

If the immediate senior was unable to handle the grievance the employees were free to walk into the Director's office and share their concern. Since the number of employees was small, the Director personally attended to the grievance if need be. Most of the Counseling was done by the immediate senior or else the Director, Anup Jatia.

*Initially, the mobile phones were used freely in the office. But the management started getting complaints of loud, incessant calls being received by fellow staff members. This went on to the extent that it became a nuisance for others.*

*The management therefore decided to restrict mobile phones usage to only those who needed the mobile phones for organizational work.* This broadly meant that only the sales and marketing staff would use mobile phones in the office. “The office has ten PBX lines and it is easy for anyone to get through. So if any outsider has to speak to our staff, they are welcome to do it over the landlines. We found out that the number of calls reduced significantly, the duration of calls is also reasonable as now the staff knows that unlike the case of mobile phones, where management has no clue of what’s happening on that channel, the land line can be monitored, if need be” (Anup Jatia, Personal Communication, Oct 18, 2005)

*This has also done away with the nuisance of SMS disturbance. The management sees no reason why employees must keep exchanging SMS for personal reasons as that causes both time wastage and distraction. Next, the issue of MMS was also taken care of as a result.*
Initially, there was a resistance especially from those who were constantly hooked on to the mobile phones, but eventually they accepted the decision. Adopting ISO 9000 standards helped AFL to document its vision and processes.

Formal documentation of policies of AFL was still pending. However, *AFL did share the informal documentation of HR policies with the researcher, which the researcher found, appeared to have been adequately circulated.*

**External Communications at AFL**

An important message that AFL decided to send out to both suppliers and customers was that AFL could be relied on. Credibility building was considered very important and AFL decided to demonstrate that through action.

**Supplier Strategy:** Initially, when AFL was in the red, the Company’s equation with the suppliers was not very smooth. Therefore, AFL made all purchases in cash promptly and slowly they built their credibility with the suppliers and hence their company’s image.

The successful production of the new product of AFL was dependant on quality of yarn used. High quality yarn needed was not easily available and required that the suppliers be educated on the quality that the Company sought. Naturally, the management had to educate the suppliers on what they were looking for.

“It was very difficult to explain to the suppliers regarding the quality of yarn required. This is because our yarn is not required for a textile end-use, and textile-related quality parameters are not relevant to us. *We had to explain this by stationing our staff in their factories throughout the entire period that our goods were being produced, by explaining to them how to process the cotton and the yarn or to set their machine parameters in a way that would suit us, etc. In other words, we had to learn the techniques of yarn production ourselves and then explain them exactly how to make our yarn.* Despite all our efforts, we often could not procure the quality we needed as some suppliers would change parameters during production to suit themselves and some suppliers would finally not understand the seriousness of our requirements. Further, market forces often made suppliers change their production planning which started affecting our supplies. Currently, therefore, we have concentrated all our production with one supplier who is more dependent on our business, and we procure the raw cotton required and pay them a conversion fee for this business” (Anup Jatia, email communication, April 4, 2006)
**Customer Relations:** At the customer end too AFL maintained that credibility building was important, for instance, they once sold some material to an international buyer at a specific price. They signed a deal and had to effect the shipment in three months time. After concluding the deal, cost of raw material went up in national and international markets but they did not go back to the buyer. *In fact, they honoured the deal and such actions they think were crucial to building their good-will. These were actions that were strong communications.*

**Bridging language and cultural barriers:** The sole customer of AFL was a Japanese Company. While the MD Atmaram was stationed in Japan, Anup Jatia traveled and actively managed the show in India. However, Anup Jatia was born and brought up in Japan. He therefore not only spoke and understood Japanese language but also understood the Japanese culture. He knew their needs and made sure that they are met. To do this, he continuously educated and monitored his staff to ensure smooth communication for trustworthy relationship. “I know the Japanese work on trust in relationships. It is therefore important to have patience in the initial phase and build relationships. Once you are part of the chain, it is extremely difficult for a competitor to replace you. *No small time notary incentives can lure them so long as you are clear in your communication and relationship. Since they are not very conversant with the English language, language usually is a big barrier. I have to constantly keep reminding my own people to speak very slowly and clearly to them*” shares Jatia.

**Others Stakeholders:** Shareholder Communications were not considered of significance and a short annual report was published to share annual financial details as per legal requirements. AFL also did not feel the need to interact with the Government of India for any reason. There was also no need felt to interact with the Industry Associations or any international Agency.

AFL product was raw material for a security product and it had only one customer in Japan. The product was such that the Japanese customer was the only customer and there were only two suppliers across the world. *There was no need for mass communication. In fact, owing to security reasons it could be damaging to the business. So AFL had no brochures, no advertising and no other mass communication strategies. for the same reason, AFL did not develop a website.*
Integrating the External and Internal strategy

It was pertinent to integrate internal and external communication strategy. The Japanese culture and language was distinctively different from that of Indians. The work orientation and communication style was different. For smooth functioning it was essential to bridge the gap. Also, to establish transparency, integration was essential. “For instance, if one wanted to communicate to the customer that one is highly credible then there is need to build the culture internally for being actually credible and that requires continuous communication through word and action to demonstrate how it works and how important it is for the organization to own this behaviour”. (Anup Jatia, personal communication, Oct 18, 2005)

The management educated their people on Japanese culture and language. The director, Anup Jatia, himself pitched in whenever required.

The management discreetly accepts that HR was a crucial shortcoming. With poor HR, no communication strategy could be successfully implemented. As a result, it was decided to focus on activities which required less HR and less communication. In other words, the communication strategy adopted was to keep it on a need-to-know basis, and to keep it very simple, so as to not let any misunderstandings (intentional or unintentional) to affect the functioning of the business.

Analysis

The case of the turnaround of AFL supports the first stage of the theoretical model proposed in Figure 3.1. It reveals how owing to the rampant excise evasion in the textile industry, AFL failed to compete and had to finally close down its dyeing unit. Also, owing to the poor work environment, lack of smooth internal communications and lack of management control on factory premises, the weaving unit also had to be closed down. Thus, the case demonstrates how environment and managerial decisions impacted AFL and led to its decline. Thus the case supports stage 1 of the theoretical model.

Lack of accountability and a de-motivated workforce along with the suppliers awaiting payments were all exerting disabling forces on the sick enterprise. The case thus supports stage 2 given in Figure 3.2 of the theoretical model proposed.

AFL management installed an automated plant at Kolhapur (the distant factory location) and adopted communication technologies and various other communication actions such as educating on cross cultural communication and the likes to enable the
turnaround. The case thus also supports stage 3 of the theoretical framework suggested in this study. The list of communication actions adopted to enable the turnaround elements is given below Framework 5.8:

Framework 5.8
The Match between the CS for OTA framework and the communication strategy of AFL during turnaround

<table>
<thead>
<tr>
<th>Stakeholder/ Turnaround Element (objective)</th>
<th>Theoretical Pattern</th>
<th>Case Pattern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Possible Communication Action</td>
<td></td>
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</tr>
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</table>

1. Board of Directors/ Shareholders
   1.1. Gain support and time in the future
        1.1.1. Present detailed turn-around plan

2. Staff and Employees
   2.1. Credibility building actions by the new management
        2.1.1. Document, and communicate a strategic turnaround plan
        2.1.2. Publicize success in resolving a current crisis or problem
        2.1.3. Make decisions transparent
        2.1.4. Exercise Communication Control (control on promises rolled out)
   2.2. Initial Control
        2.2.1. Order preparation of daily, weekly and monthly cash forecasts
        2.2.2. Exercise Communication Control.
        2.2.3. Seek views on the general well being of the employees. (informally-new)
   2.3. Mobilization of organization for turnaround
        2.3.1. Include key managers for development of industry wisdom
        2.3.2. Include only key managers for development of vision
        2.3.3. CEO should deliver the vision presentation in person and as often as possible.
        2.3.4. Hold special sessions for non-participating managers after vision has been developed to share planned vision
        2.3.5. Inject urgency in the communications plan. Explain what needs to be done and why
        2.3.6. Listen to the views of all managers. Gauge their reaction
        2.3.7. Understand perceptions and focus minds of managing team. Set the scene for turnaround.
2.3.8. Ensure all employees know what is going on, for what reason and how it will occur. 
2.3.9. Share the pulpit (Empowerment) 
2.3.10. Deal with concerns of employees in open and honest manner. Offer follow up sessions 
2.3.11. Note any comments or queries and provide answers asap. 
2.3.12. CEO must get out of the office to interact with the employees and to listen to them 
2.3.13. Employ open ended communication style that encourages employees to find answers, take decisions. 
2.3.14. Repeatedly affirm the Company's mission, core values, and the primary goals of profit and growth. 
2.3.15. Articulate a few highly concrete targets for the company for the next few months 
2.3.16. Involve the staff to identify solvable problem areas and have their views on uninvolved areas. 
2.3.17. Rephrase people's roles to clarify managerial responsibilities. 
2.3.18. Top managers must emphasize on integrity, fairness, hard work, resourcefulness and concern for the staff during interactions with the staff. 
2.3.19. Publicize and celebrate every employee and team success. 

2.4. **Internal Co-ordination** 

2.4.1. Offer constant feedback to keep organization on track 
2.4.2. Set up co-ordination committees for co-ordinating interdependent departments 
2.4.3. Institute a monthly performance review meeting of all senior managers chaired by the chief executive. 
2.4.4. Insist that lower level disputes be settled at that level on a face to face basis 
2.4.5. Keep the atmosphere light. 
2.4.6. Keep enhancing communication technology – email, mobile, ERP 
2.4.7. **Exercise control on communication technology** NEW

3. **Unions** 

3.1. **Negotiation of support of Unions and neutralization of Unions' pressures** 

3.1.1. Brief unions on the problems and strengths of the unit and some tentative turnaround plan. 
3.1.2. Get them to suggest turnaround steps 
3.1.3. Seek support, concessions etc. from the unions 
3.1.4. Evolve jointly a broad turnaround strategy 

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3.1.5. Keep unions posted on the progress of the turnaround

3.2. **Managing retrenchment of a dying unit**

3.2.1. *Make it clear to the workers that the management would ensure a fair deal for them*

3.2.2. *Let a manager who has dealt with workers and enjoys their goodwill handle the negotiations*

3.2.3. *Do not hide the decision of closing down the unit, from anyone who enquires*

4. **Banks and Financial Institutions**

4.1. *Negotiation of support of Banks and/or FIs and neutralization of Banks and/or FIs pressures*

4.1.1. Brief Banks and/or FIs on the problems and strengths of the unit and some tentative turnaround plan

4.1.2. Get them to suggest turnaround steps

4.1.3. Seek support, concessions etc. from Banks and/or FIs

4.1.4. Evolve jointly a broad turnaround strategy

4.1.5. Keep Banks and/or FIs posted on the progress of the turnaround

5. **Government**

5.1. *Negotiation of support of Government and neutralization of Government pressures*

5.1.1. Brief relevant government departments on the problems and strengths of the unit and some tentative turnaround plan

5.1.2. Get them to suggest turnaround steps

5.1.3. Seek support, concessions etc. from the government

5.1.4. Evolve jointly a broad turnaround strategy

5.1.5. Keep the government posted on the progress of the turnaround

6. **Suppliers**

6.1. *Negotiation of support of suppliers and neutralization of Supplier’s pressures*

6.1.1. Brief suppliers on the problems and strengths of the unit and some tentative turnaround plan

6.1.2. Get suppliers to suggest turnaround steps

6.1.3. Seek support, concessions etc. from suppliers

6.1.4. Evolve jointly a broad turnaround strategy

6.1.5. Keep suppliers posted on the progress of the turnaround

6.2. **Build Credibility**

6.2.1. *Commit payments to build credibility*

6.2.2. *Always keep your word*

6.3. **Ensure desirable quality of raw material supplied**
6.3.1. Ensured regular educating sessions for ensuring quality  
6.3.2. Posted quality managers at the supplier site

7. Customers

7.1. Negotiation of support of customers and neutralization of Customer’s pressures

- 7.1.1. Brief customers on the problems and strengths of the unit and some tentative turnaround plan.  
- 7.1.2. Get customers to suggest turnaround steps  
- 7.1.3. Seek support, concessions etc. from customers  
- 7.1.4. Evolve jointly a broad turnaround strategy  
- 7.1.5. Keep customers posted on the progress of the turnaround

7.2. Ensure smooth cross cultural communication with customer

- 7.2.1. Continuously educate employees on customer’s cultural values  
- 7.2.2. Continuously educated employees on bridging language barriers with foreign customer  
- 7.2.3. Continuous monitoring of all employee’s communications with customer to cover up noise due to cultural and language differences

7.3. Sourcing industry information for quick cost reduction

- 7.3.1. Increase costs incurred on communication technologies, if need be, for sourcing industry (market) information

7.4. Revenue Generation

- 7.4.1. Unfocused advertising and promotion be more sharply focused

Validating the propositions

Proposition $P_{1A}$: Every company that undergoes a turnaround would necessarily have to address some of the communication objectives given in the framework though not necessarily all.

Framework 5.8 indicates that AFL management addressed 4 (2.2, 2.3, 2.4, 6.1), did not address 7 (1.1, 2.1, 3.1, 5.1, 7.1, 7.3, 7.4) and did not share any information on 1 (4.1) of the 12 communication objectives listed in the theoretical framework proposed.

Thus, the AFL management addressed some of the objectives listed in the proposed framework but not all. It thus supports Proposition $P_{1A}$.

Proposition $P_{1B}$: The list of communication objectives given in the proposed theoretical framework is comprehensive.
Framework 5.8 indicates that AFL management addressed 4 (2.2, 2.3, 2.4, 6.1), did not address 7 (1.1, 2.1, 3.1, 5.1, 7.1, 7.3, 7.4) and did not share any information on 1 (4.1) of the 12 communication objectives listed in the theoretical framework proposed. However, AFL management additionally addressed 3 new communication objectives (3.2, 6.2, 7.2) during turnaround.

Thus, for the turnaround of AFL, the list of communication objectives given in the framework is suggestive but not comprehensive. It thus does not support Proposition P_{1b}.

**Proposition P_{2a}:** Every company that undergoes a turnaround would necessarily have to address some of the critical stakeholders given in the framework.

Framework 5.8 indicates that the AFL management addressed 4 (2, 3, 6, 7) of the 7 critical stakeholders during the turnaround of AFL. 2 stakeholders (1, 5) are earmarked as being not addressed while information for 1 stakeholder (4) was not made available to researcher.

The turnaround of IPL therefore supports Proposition P_{2a}.

**Proposition P_{2b}:** The list of critical stakeholders to be addressed during a turnaround is comprehensive.

Framework 5.8 indicates that the AFL management addressed 4 (2, 3, 6, 7) of the 7 critical stakeholders during the turnaround of AFL. 2 stakeholders (1, 5) are earmarked as being not addressed while information for 1 stakeholder (4) was not made available to researcher. However, AFL management did not consider any stakeholder other than listed in the framework as critical.

Thus, for the turnaround of AFL, the list of critical stakeholders was comprehensive. It thus supports the Proposition P_{2b}.

**Proposition P_{1c}:** At least one of the communication actions listed in the proposed theoretical framework, is employed to realize a corresponding communication objective during turnaround.

Framework 5.8 indicates that for each of the 4 communication objectives listed in the theoretical framework and addressed by AFL management, at least one communication action listed thereof was employed by the AFL management during turnaround. However, it also indicates 11 new communication actions (2.4.7, 3.2.1, 3.2.2, 3.2.3, 6.1.6, 6.1.7, 6.2.1, 6.2.2, 7.2.1, 7.2.2, 7.2.3) adopted by AFL.
management for addressing one of these (6.1) and 3 new (3.2, 6.2, 7.2) communication objectives during turnaround.

Thus, the turnaround of AFL indicates that it employed at least one communication action listed in the proposed theoretical framework to realize a corresponding communication objective. It thus supports Proposition P14.

Proposition P14: The list of communication actions recommended for achieving the communication objectives is comprehensive

Framework 5.8 indicates that AFL management adopted 19 communication actions; did not adopt 35 communication actions; and did not provide information on 6 communication actions of the total of 60 communication actions listed in the theoretical framework proposed. It also indicates that AFL management employed 11 new communication actions (2.4.7, 3.2.1, 3.2.2, 3.2.3, 6.1.6, 6.1.7, 6.2.1, 6.2.2, 7.2.1, 7.2.2, 7.2.3). These actions were not listed in the theoretical framework proposed.

The turnaround of AFL thus suggests that the list of communication actions given in the theoretical framework proposed is not comprehensive. It thus does not support Proposition P14.
Case 9

NAMBURNADI TEA CO. LTD.

Deciphering communication during turnaround

Background

Namburnadi Tea Company Ltd (NTCL) located in Assam[^1] was a British Company that was bought by the Saharia Group in 1970s. Towards the end of 1990s, NTCL started running into losses. However, NTCL had a lot of virgin land which was very suitable for tea plantation. Land was in short supply in Assam. The quantum of produce that was possible by extra plantation lured Assam Tea Company Ltd. (ATCL) to acquire NTCL in 2001. However, by this time the networth of the company had eroded to INR (30) mn. The new management turned around the Company & the networth increased to INR 49mn in 2002. NTCL performance consistently improved thereafter (See Table 5.9.1 and Chart 5.9.1).

Table 5.9.1: Performance of NTCL during 2000-2004; turnaround in 2002

<table>
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<tr>
<th></th>
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<th>2001</th>
<th>2002</th>
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</thead>
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<tr>
<td>Gross sales</td>
<td>28</td>
<td>10</td>
<td>19</td>
<td>29</td>
<td>20</td>
</tr>
<tr>
<td>Net worth</td>
<td>-6</td>
<td>-30</td>
<td>49</td>
<td>57</td>
<td>59</td>
</tr>
</tbody>
</table>

[^1]: Assam is a north-eastern state of India

Chart 5.9.1: Performance of NTCL during 2000-2004; turnaround in 2002

![Chart 5.9.1](image-url)
Unraveling the turnaround story

A team of four members of ATCL visited the NTCL tea gardens to take note of all aspects that demanded immediate attention. The internal and external issues identified were as follows:

**Internal Issues**

Employees: The various issues pertaining to employees were as follows:

*Misappropriation of funds and resources*: It was during physical verification carried out by the team that the new management found a large number of assets missing. It was found that when the erstwhile promoter was on the verge of bankruptcy, he decided to sell off the Company. A third party at this time, offered to provide them loan to pay salaries to the workers and also to induct a manager for due diligence to decide whether or not to buy the garden. The promoter agreed and thus the manager, a nominee of the third party, was taken on board. This manager however, developed vested interests. He took over some land from the neighbourhood and a part of the input coming to the garden was sneaked to this adjoining garden. This set the rotting process mentioned above, rolling.

A group of clerks, union leaders and a few others on the estate along with the manager cheated the workers and continued to pocket their dues. Be it wages, medicines or food allowances, everything was misappropriated while the uneducated worker did not know how to deal with the rampant exploitation. “Almost 50% of the PF was gobbled by the coterie of men cheating the workers” (Amir Ahsan, Director Incharge, personal communications, March 24, 2006)

*Low Worker Morale: Payments long overdue*: There was much to be done at the worker’s front as well. NTCL had not paid the gratuity to retired employees for several years. It had therefore, taken these retired workers on rolls. Morale of the employees was an all time low. They had a feeling that sooner or later the estate would close down.

Besides, tea gardens were big vote banks. NTCL had approximately 1500 to 2000 workers which no political party liked to ignore. Naturally, shades of politics were seen on the estate as well. “For instance, an MLA who happened to be the son of a worker, lived in the garden and initially attempted to mislead the workers to project himself as the sole savior. This was a tough challenge. Further, terrorism in Assam naturally had implications for the estate dwellers.” (Amir Ahsam, personal communications, March 24, 2006)
“Politics, cheating, exploitation, no work – name the ill and it was there.” (Amir Ahsan, personal communication, March 24, 2006)

**Deteriorating Quality of the produce:** There had been no fund infusion in the company for a long time. Essential jobs such as adding requisite fertilizers & nutrients in the soil had not been undertaken for over three to four years. The garden had gone back to infancy stage. The workers had forgotten simple things such as the proper technique of plucking leaves. Productivity was as low as 13 kg per day per person. Living conditions were poor. Thus, when ATCL took it over from Saharia Group in 2001, NTCL was a case of vested interests and sheer mismanagement.

**Inadequate Communication Infrastructure in North-Eastern states of India:** In Assam, especially in this area, communication and movement was a big problem. BSNL which had ignored North Eastern part of India (NE) later enabled phone links and internet connectivity. “But every other day there is a strike for one reason or another”. (Abhay Chowdhary, CFO ATCL, personal communication, Dec 14, 2005)

**Lack of trust in Management:** The management at NTCL, for years together was corrupt and had exploited the workers. Naturally, the workers had little reason to believe that the new management would be any different. Also there were always some elements to promote anti-establishment sentiment for varied personal interests.

**Shareholders:** ATCL bought 92% shares of NTCL. Thus, there were no other significant share holders. Hence, there was no significant communication with the shareholders except as per statutory requirements.

**External Issues**

**Banks:** NTCL had a major default with Allahabad bank and the account was classified as an NPA. ATCL had to clear the accounts and also fetch more funds to further the business.

**Government:** The Government of Assam provided subsidy for re-plantation of damaged bushes. Since the bushes in NTCL were old and mal-nutrition, the new management had to convince the Tea Board that there was a need to replace the bushes and claim re-plantation subsidy.

**Customer:** NTCL had not been producing good quality tea for some time. Naturally, the image of the company was tarnished and there was need to re-build the same. Since, ATCL intended to export NTCL Tea, NTCL image was to be promoted abroad as well.
Internal Communications at NTCL

If there is one mantra that Ahsan recommends, it is the need to back verbal communication with real time action. This he insists is the only way to build credibility which is crucial for a turnaround. “If you say something, do it on high priority. for instance if in a meeting you insist that you will ensure justice and will be tough on those who perpetuate injustice, then make sure you find out the corrupt people and take tough action. In our case, we sacked three corrupt employees. This can be tough as such people would usually have a clout and the general public is scared of dealing with them.

Yet another instance was owing to politics in the garden, which too had to be dealt with very firmly. “We went to the MLA on the garden (mentioned earlier) and told him that we were ready to talk on any of the issues or show to him our plans or talk to him over dinner, if need be. However, if he tried to disestablish then we will have to fight back and sort him out. The message was clear that the management would not permit him to have his way”. (Amir Ahsam, personal communications, March 24, 2006).

However, if the management has committed it must stand by it. “People are weary of those who talk, make several promises and do not deliver. However, if the employees see that action follows the talk, the trust can be built.” Ahsan explains with another example, “If you promise to improve some working condition, say, get tractors in 10 days and in return ask for increased productivity then make sure that the tractors arrive within the 10 days and no later. Only then, can (or should) an issue of productivity be raised.”

Thus, building credibility was the single foremost goal that NTCL turnaround management set for itself. Once that came through, the rest followed.

Day-to-day monitoring: A check on pilferage: Considering that the Company taken over was sick owing to lack of vigilant monitoring on a day-to-day basis, a deputy manager who was incharge of Hajua (ATCL’s best tea estate) was promoted and sent there as manager NTCL and an accountant was appointed to set right the records and check pilferage.

Strict action was taken against the corrupt employees. This sent a positive message through the garden and workers started to notice the management action.

SC Ghosh, who had extensive experience in managing tea estates, was appointed as the visiting Director. He had frequent meetings with the workers and the union
officials (every 15 to 20 days) to ensure that the plans were followed and targets were met. No numbers were arrived at but the progress and cost savings were indicators of the success of communication.

**Addressing Grievances and boosting morale:** A message of revival had to be sent through the garden to revive hope and to encourage an effort for revival. *The labour in the garden did not understand vision and mission statements. The message for them was that the management will take care of all their statutory dues and they must improve the garden. “We told them that their association with the garden has been for several generations and thus they must extend support to improve it. Thus, we asked for support and felt that since they are more closely associated they would extend it.”* (Abhay Choudhary, personal communications, December 14, 2006)

In a tea garden, the worker is entitled to free or subsidized supplies of food, medicines, schooling, health care etc. The management restored the rights of the workers. *The dialogue to settle the dues of the workers also started. NTCL management philosophy was that ‘ignoring injustice amounts to being part of it’.* Therefore, they laid down processes such as opening bank accounts, educating them on operating accounts, ensuring PF was given and the likes. “The image that one builds is that if this management stays our rights will be looked after. Then everything falls in place.” (Amir Ahsan, personal communications, March 24, 2006)

200 acres of fresh area was planted. This called for investment and concerted effort. It therefore demonstrates the managements’ desire and intent to stay there for good. Also, the living conditions of the workers improved and they naturally became positively inclined towards the new management.

*It took them one and a half year of continuous demonstration of intent to improve the garden and gain worker trust.* However, when the expenses became very high and they explained the problems to the workers, the latter offered to accept minimum wages and minimum bonus (a cut of 20% on each for contractual employees) for a span of three years. Ahsan insists that it was an offer and not a decision forced on the workers. He claims that this is evidence of what success credibility can bring with it.

The agreement was till December 31 2005 and from January 1 2006 the Company has restored normal salaries of the employees.

Workers were encouraged to take several measures through programmes such as family planning, fight malaria, clean environment etc. and the management provided support for all such actions. This endeared the management to the workforce.
Who did it? Ahsan, had previously been a deputy manager and later manager before rising to the post of a director of tea estates of NTCL. He, therefore, had considerable experience in running tea estates and handling labour. He was like an advisor at the top. He had very good communication skills and could relate to the needs and desires of the people on the garden. The Manager alongwith the newly appointed deputy manager had several meetings with the labour unions. Realizing that the workers were an uneducated lot, it was important to reach them through representatives. The new team thus met the Sardars regularly to explain to them various issues and encouraged them to take a proactive role in boosting the morale and efficiency of the workers.

The labour unions and sardars understood the situation and were very cooperative. “They ensured that after the takeover the new management did not face much problem.” (Abhay Choudhary, personal communications, December 24, 2006) While the deputy manager and accountant were on the job day-to-day, SC Ghosh had frequent meetings with them and the union officials (every 15 to 20 days) to ensure that the plans were followed and targets were met. Protracted negotiations took place among SC Ghosh, Ahasan, the Union Leader and the Sardars. Gratuity liability was phased out (in installments) and the union agreed to minimum bonus for the workers until the estate had started doing well.

Besides meeting the managers or committees once in 3 to 4 months, Ahsan insisted on having a direct communication with the workers. “For instance, I would stand next to a queue and share some developments. Listen to how they responded and this gave great insights and also a confidence and link with the worker. Direct and informal communication also played an important role.” (Amair Ahasan, personal communications, March 24, 2006).

**Two-way communication model for regular feedback:** According to ATCL, good communication implied exchange of right information between relevant people at the right time (information load). It was important that the information was accurate, timely and at the same time it did not cause an overload. Thus, information was not disseminated indiscriminately but was collated to make it available in the background so that anyone who requires the information can easily access the same.

ATCL ensured this by implementing the two-way communication model (the model is documented) at NTCL. forms to carry out regular communication were designed and made available. According to this model, NTCL sent supplies to the Head Office (HO) at Kolkata, the HO continuously sent to them the tea quality reports, the price it
was able to fetch alongwith comments and directions on how these could be improved in future on daily, weekly and monthly basis. Thus, constant monitoring of the estate took place through this model. Also, the estate managers remained posted on the market feedback to their produce and clear information on scope for improvement was available.

**Training for Skill Building:** Training was thus organized to train them on identifying or appreciating tea leaf quality and how to pluck the leaves. Training for improving the manufacturing process was also organized.

**Improving Productivity:** This again was a joint effort. Committees were organized to see how productivity could be enhanced. for instance, when the workers pointed out that they had to carry their leaves to a long distance to have them weighed every day, the management opened some of the roads and arranged tractors for the workers to make the process easier and faster for them. Similar measures increased the productivity from 13 kg per day per person to 21.8 kg per day per person. Thus, listening carefully to the workers helped in improving productivity.

**Ensuring Communication Infrastructure:** Since, in the North-Eastern states of India, both communication and travel infrastructure were not well developed, ATCL extended its V-SAT facility to maintain email link with the estate. In event of frequent strikes or faulty phone lines, the communication link was up and running. This was more so because communication was considered important and inferior communication infrastructure in the North-Eastern states of the country had to be taken care of.

The garden was then connected to the internet. The inhouse web-enabled intranet was set-up to serve as the backbone of the information flow mechanism at the NTCL. The priority, needs and access rights were designed as per the needs of the garden. NTCL considered communication as extremely important and therefore made concerted efforts to enable multilocation ERP package. All ATCL estates have adopted Harvest IT ERP package, a package designed specifically for tea estates. Thus, like other gardens of ATCL, NTCL also adopted the single estate ERP package, which was fully functional. However, ATCL has been facing technical problems in establishing multilocalional ERP package but is working towards it.

**External Communications at NTCL**

**Bankers:** The new management paid off all dues to Allahabad Bank and got new financing from PNB. This, however, required ATCL/NTCL to sell its ideas to PNB.
Several meetings and presentations were organized. A PNB representative visited the estate once in ten months. A corporate guarantee from the parent Company was also given to get the financing approval. Regular information such as monthly stock statements, sales status reports etc had to be submitted to maintain their confidence.

**Government:** The Government of Assam offered subsidy on replanting old bushes. To avail this subsidy ATCL attempted to convince the TEA Board of the Government of Assam. “NTCL however has not yet received the replanting subsidy”. (Amir Ahsam, personal communications, March 24, 2006).

**Suppliers:** There were three types of suppliers to NTCL – suppliers of fertilizers, machine components and machines. According to the sale agreement with NTCL, its erstwhile owner had to settle the accounts with the suppliers. The new management therefore started afresh and thus employed services of existing suppliers of ATCL.

This was because ATCL had 16 gardens and bought supplies in bulk, which gave them better rates and hence cheaper supplies.

**Customers:** ATCL sold tea through two channels – directly to companies such as HLL, Tata, Tetley, Grinard or various brokers and through auction houses. The same policy was adopted for NTCL as well.

Extensive one-to-one communication with the auction houses and the private customers was undertaken. But most of it was selling and not marketing the product. Both cost and quality were important. Understanding of tastes of different regions was important. Thus, the sales effort involved sending samples of the NTCL tea alongwith competitive prices. The platform used was that of ATCL.

In foreign markets, Dunken McNeil were agents of ATCL. They marketed tea globally and NTCL tea was also sold in foreign markets through them.

**Industry Associations:** NTCL was a member of Indian Tea Association and Tea Association of India, the two major tea associations in Assam. Companies conveyed their views to the Government through these associations. However, this membership did not play any role in the process of turnaround.

**Other stakeholders:** NTCL had no agency or principals to work with nor did it seek or get any aid from any international agencies. Since the Company was not

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44 machines such as Rolling, CTC, Drying and Sorting machines
ready for any kind of media coverage, media relations were not promoted. Public at large was also not a customer as the sales were through brokers or to institutions.

Surrounding the tea garden were villages that had small hotels, restaurants and other businesses that heavily depended on the well-being of the garden workforce. As the living conditions in the garden improved it started impacting the lives of the villagers. “After 3 to four years of takeover, we started receiving a pleasant nod from these villagers. This was an acknowledgement of our good work” shares Ahsan with a sense of deep satisfaction though he insists that they still have to go a long way.

**Analysis**

The turnaround of NTCL supports the first stage of the theoretical framework suggested in this study in Figure 3.1. While the case does not suggest any external environmental changes to have impacted the organization or its managerial decisions but it does implicate faulty managerial decisions for the decline of the Company. The faulty decisions were owing to resource constraints and lack of interest of the management in turning around the Company. The impact of the managerial decisions caused the organization to deteriorate to the extent of sickness. Thus the case supports the first stage of the theoretical model that is demonstrated in Figure 3.1.

When NTCL was sick there were disabling forces exerted by corrupt employees who employed unethical means to cheat the workers. The workers themselves were demotivated and had forgotten the skill required for performing their jobs. Political forces were also getting nurtured. Banks had classified it as an NPA and its image amongst the customers was tarnished. Thus, there were disabling forces exerted by various external and internal stakeholders that were much stronger than the feeble enabling forces exerted by government (offering assistance for re-plantation) etc. Thus the case of turnaround of NTCL supports the second stage of the theoretical model suggested in this study and shown in Figure 3.2.

When ATCL acquired NTCL, the new management assumed the central responsibility for turning around the company. It then enabled several turnaround elements by strategizing and interacting with various stakeholders. Credibility building, initial control, coordination, mobilization of organization, negotiations with unions, dealing with banks, suppliers and customers were all turnaround elements enabled through communication actions during the process of turnaround of NTCL. These communication actions are listed in the Framework 5.9 given below. Thus the
case of NTCL strongly supports the stage 3 of the theoretical model proposed in this study.

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**Framework 5.9**

*The Match between the CS for OTA framework and the communication strategy of NTCL during Turnaround*

<table>
<thead>
<tr>
<th>Stakeholder/ Turnaround Element (objective)/</th>
<th>Possible Communication Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board of Directors</strong></td>
<td></td>
</tr>
<tr>
<td>1. Gain support and time in the future</td>
<td>v</td>
</tr>
<tr>
<td>1.1. Present detailed turn-around plan</td>
<td>v</td>
</tr>
<tr>
<td><strong>Staff and Employees</strong></td>
<td></td>
</tr>
<tr>
<td>2.1. Credibility building actions by the new management</td>
<td>v</td>
</tr>
<tr>
<td>2.1.1. Document, and communicate a strategic turnaround plan</td>
<td>v</td>
</tr>
<tr>
<td>2.1.2. Publicize success in resolving a current crisis or problem</td>
<td>v</td>
</tr>
<tr>
<td>2.1.3. Make decisions transparent</td>
<td>v</td>
</tr>
<tr>
<td>2.1.4. Exercise Communication Control</td>
<td>v</td>
</tr>
<tr>
<td>2.2. Initial Control</td>
<td></td>
</tr>
<tr>
<td>2.2.1. Order preparation of daily, weekly and monthly cash forecasts</td>
<td>v</td>
</tr>
<tr>
<td>2.2.2. Exercise Communication Control.</td>
<td>v</td>
</tr>
<tr>
<td>2.2.3. Seek views on the general well being of the employees.</td>
<td>v</td>
</tr>
<tr>
<td>2.2.4. Confront employees attempting anti-establishment sentiment</td>
<td>NEW</td>
</tr>
<tr>
<td><strong>Mobilization of organization for turnaround</strong></td>
<td></td>
</tr>
<tr>
<td>2.3.1. Include key managers for development of industry wisdom</td>
<td>x</td>
</tr>
<tr>
<td>2.3.2. Include only key managers for development of vision</td>
<td>x</td>
</tr>
<tr>
<td>2.3.3. CEO should deliver the vision presentation in person and as often as possible.</td>
<td>x</td>
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<tr>
<td>2.3.4. Hold special sessions for non-participating managers after vision has been developed to share planned vision</td>
<td>x</td>
</tr>
<tr>
<td>2.3.5. Inject urgency in the communications plan. Explain what needs to be done and why</td>
<td>v</td>
</tr>
<tr>
<td>2.3.6. Listen to the views of all managers. Gauge their reaction</td>
<td>v</td>
</tr>
<tr>
<td>2.3.7. Understand perceptions and focus minds of managing team. Set the scene for turnaround.</td>
<td>x</td>
</tr>
</tbody>
</table>
2.3.8. Ensure all employees know what is going on, for what reason and how it will occur.

2.3.9. Share the pulpit (Empowerment)

2.3.10. Deal with concerns of employees in open and honest manner. Offer Follow up sessions

2.3.11. Note any comments or queries and provide answers asap.

2.3.12. CEO must get out of the office to interact with the employees and to listen to them

2.3.13. Employ open ended communication style that encourages employees to find answers, take decisions.

2.3.14. Repeatedly affirm the Company’s mission, core values, and the primary goals of profit and growth.

2.3.15. Articulate a few highly concrete targets for the company for the next few months

2.3.16. Involve the staff to identify solvable problem areas and have their views on uninvolved areas.

2.3.17. Rephrase people’s roles to clarify managerial responsibilities.

2.3.18. Top managers must emphasize on integrity, fairness, hard work, resourcefulness and concern for the staff during interactions with the staff.

2.3.19. Publicize and celebrate every employee and team success.

2.4. **Internal Co-ordination**

2.4.1. Offer constant feedback to keep organization on track

2.4.2. Set up co-ordination committees for co-ordinating interdependent departments

2.4.3. Institute a monthly performance review meeting of all senior managers chaired by the chief executive.

2.4.4. Insist that lower level disputes be settled at that level on a face to face basis

2.4.5. Keep the atmosphere light.

2.4.6. Keep enhancing communication technology – email, mobile, ERP

3. **Unions**

3.1. **Negotiation of support of Unions and neutralization of Unions’ pressures**

3.1.1. Brief unions on the problems and strengths of the unit and some tentative turnaround plan.

3.1.2. Get them to suggest turnaround steps

3.1.3. Seek support, concessions etc. from the unions

3.1.4. Evolve jointly a broad turnaround strategy

3.1.5. Keep unions posted on the progress of the turnaround
4. Banks and Financial Institutions

4.1. Negotiation of support of Banks and/or FIs and neutralization of Banks and/or FIs pressures

4.1.1. Brief Banks and/or FIs on the problems and strengths of the unit and some tentative turnaround plan

4.1.2. Get them to suggest turnaround steps

4.1.3. Seek support, concessions etc. from Banks and/or FIs

4.1.4. Evolve jointly a broad turnaround strategy

4.1.5. Keep Banks and/or FIs posted on the progress of the turnaround

4.1.6. Educate the concerned bank officials on the working of the business/industry NEW

5. Government

5.1. Negotiation of support of Government and neutralization of Government pressures

5.1.1. Brief relevant government departments on the problems and strengths of the unit and some tentative turnaround plan.

5.1.2. Get them to suggest turnaround steps

5.1.3. Seek support, concessions etc. from the government

5.1.4. Evolve jointly a broad turnaround strategy

5.1.5. Keep the government posted on the progress of the turnaround

6. Suppliers

6.1. Negotiation of support of suppliers and neutralization of suppliers’ pressures

6.1.1. Brief suppliers on the problems and strengths of the unit and some tentative turnaround plan.

6.1.2. Get suppliers to suggest turnaround steps

6.1.3. Seek support, concessions etc. from suppliers

6.1.4. Evolve jointly a broad turnaround strategy

6.1.5. Keep suppliers posted on the progress of the turnaround

7. Customers

7.1. Negotiation of support of customers and neutralization of customers’ pressures

7.1.1. Brief customers on the problems and strengths of the unit and some tentative turnaround plan.

7.1.2. Get customers to suggest turnaround steps

7.1.3. Seek support, concessions etc. from customers

7.1.4. Evolve jointly a broad turnaround strategy

7.1.5. Keep customers posted on the progress of the turnaround
Validating the propositions

Proposition P₁₄: Every company that undergoes a turnaround would necessarily have to address some of the communication objectives given in the framework though not necessarily all.

Framework 5.9 indicates that NTCL management addressed 11 (1.1, 2.1, 2.2, 2.3, 2.4, 3.1, 4.1, 5.1, 7.1, 7.2, 7.3) and did not address 1 (6.1) of the 12 communication objectives listed in the theoretical framework proposed.

Thus, the NTCL management addressed some of the objectives listed in the proposed framework but not all. It thus supports Proposition P₁₄.

Proposition P₂₅: The list of communication objectives given in the proposed theoretical framework is comprehensive

Framework 5.9 indicates that NTCL management addressed 11 (1.1, 2.1, 2.2, 2.3, 2.4, 3.1, 4.1, 5.1, 7.1, 7.2, 7.3) and did not address 1 (6.1) of the 12 communication objectives listed in the theoretical framework proposed. However, NTCL management did not address any communication objective other than those listed in the theoretical framework proposed.

Thus, for the turnaround of NTCL, the list of communication objectives given in the framework is comprehensive. It thus supports Proposition P₂₅.

Proposition P₂₆: Every company that undergoes a turnaround would necessarily have to address some of the critical stakeholders given in the framework.

Framework 5.9 indicates that the NTCL management addressed 6 (1, 2, 3, 4, 5, 7) of the 7 critical stakeholders during the turnaround of NTCL. 1 stakeholders (6 - supplier) is earmarked as being not addressed. However, NTCL management did not consider any stakeholder other than listed in the framework as critical.

The turnaround of NTCL therefore supports Proposition P₂₆.
**Proposition P3B**: The list of critical stakeholders to be addressed during a turnaround is comprehensive.

Framework 5.9 indicates that the NTCL management addressed 6 (1, 2, 3, 4, 5, 7) of the 7 critical stakeholders during the turnaround of NTCL. 1 stakeholders (supplier) is earmarked as being not addressed. However, NTCL management did not consider any stakeholder other than listed in the framework as critical.

Thus, for the turnaround of NTCL, the list of critical stakeholders was comprehensive. It thus **supports Proposition P3B**.

**Proposition P3A**: At least one of the communication actions listed in the proposed theoretical framework, is employed to realize a corresponding communication objective during turnaround.

Framework 5.9 indicates that for each of the 11 communication objectives listed in the theoretical framework and addressed by NTCL management, at least one communication action listed thereof was employed by the NTCL management during turnaround. However, it also indicates 3 new communication actions (2.2.4, 4.1.6, 7.3.2) adopted by NTCL management for addressing 3 of these (2.2, 4.1, 7.3) communication objectives during turnaround.

Thus, the turnaround of NTCL indicates that it employed at least one communication action listed in the proposed theoretical framework to realize a corresponding communication objective. It thus **supports Proposition P3A**.

**Proposition P3B**: The list of communication actions recommended for achieving the communication objectives is comprehensive.

Framework 5.9 indicates that NTCL management adopted 37 communication actions; did not adopt 22 communication actions; and did not provide information on 1 communication actions of the total of 60 communication actions listed in the theoretical framework proposed. It also indicates that NTCL management employed 3 new communication actions (2.2.4, 4.1.6, 7.3.2). These actions were not listed in the theoretical framework proposed.

Framework 5.9 thus confirms that for turnaround of NTCL the list of communication actions given in the theoretical framework proposed was not comprehensive. It thus **does not support Proposition P3B**.