Chapter Four

Case Study of

Steel Authority of India Limited

4.1 Introduction 107
4.2 The Plan for Restructuring 109
4.3 Human Resource Strategy 111
4.3.1 The Communication Plan
4.3.1.1. SAIL Chairman's Messages over the Years of Restructuring
4.3.1.2. Findings of the Chairman's Messages
4.4 Industrial Relations Environment 132
4.4.1 Agreements with the Union
4.5 Case of Rourkela Steel Plant 134
4.5.1 Initiation of the Turnaround Strategy (2001-2002)
4.5.2 Reaching Out to the Employees
4.5.3 Mass Contact Exercise
4.5.4 Mission of RSP
4.5.5 Bringing Closeness of Minds
4.5.6 Results of RSP 2001-2002
4.5.7 Strategy Implementation during 2002-2003
4.5.8 Comments of the President, RSP Executives Association
4.5.9 Comments of the Union Leader
4.5.10 Strategy Implementation during 2003-04
4.5.11 The Concept of 'Samskar'
4.5.12 Redeployment of Employees
4.5.13 Transformation of the City of Rourkela
4.5.14 Reviewing Progress at RSP
4.6 Case of Bhilai Steel Plant 157
4.7 Research Reports on the Downsizing Process 160
4.8 Outcome of the Restructuring Exercise 162

Annexures
A. Transcript of Interview with erstwhile Chairman 166
B. References for the Case
C. List of Key Informants
Case Study

of

Steel Authority of India Limited

4.1 Introduction

After India gained independence, the Government of India, decided to set up large steel plants itself to make India self reliant in iron and steel. Feasible spots were searched for in different states adjacent to areas rich in raw materials necessary for iron and steel production. Identifying steel as one of the core sectors of the economy and also its commitment to socialistic pattern of economy, the Government reserved setting up further units in steel industry in the public sector. Hindustan Steel was set up by the government as a private limited company in 1954, with the President of India owning the shares on behalf of the people of India. Hindustan Steel controlled the Plants at Bhilai, Bokaro, Durgapur and Rourkela and when they commenced operations. Steel Authority of India Limited (SAIL) as a holding company was formed in 1972 by the government and Hindustan Steel merged in it. SAIL is a large corporate entity with five integrated steel plants at Bhilai, Bokaro, Durgapur, Rourkela and Burnpur. Marketing of products is done through a countrywide distribution network.

SAIL also assists the Government of India in integrated planning and development of the Indian iron and steel industry. Being a public sector company, its obligations are greater than those of private sector enterprises. The Memorandum of Understanding with the Ministry of Steel has vested SAIL with a higher degree of functional autonomy. However, Government policies largely determined the business environment of SAIL. Investment decisions beyond a limit are subject to government approval. SAIL is answerable to the government for fulfillment of target production and levels of customer satisfaction. The public at large is not fully informed about the contribution of SAIL to the national exchequer; the development of a strong infrastructural and industrial base for all round economic growth of the country; subserving various socially approved objectives including reaching steel to remote, backward and strategic parts of the country besides generating employment and
providing to the workforce amenities expected from a model employer. In fulfilling these objectives, substantial costs are incurred with the result that the single criterion by which the efficiency of an enterprise has come to be judged of late, namely profit, does not get the necessary priority. The public, therefore, looked upon SAIL and the public sector in general as a drain on public funds. Creating the right perception in the public mind was also a challenge for SAIL.

Like other public sector units, SAIL was envisaged to be a major contributor to nation building. Profit making was not seen as the major purpose of its existence even though SAIL did make profits, while undertaking its role as a provider of social benefits to hundreds and thousands of people in and around its steel townships. SAIL had been designated a "Navratna" (A 'Jewel' Company in the Public Sector) company by the government after it continuously made profits for 14 years, peaking in 1995-1996 with Rs.1329 crore. The 'Navratna' status was being accorded to Public Sector Companies which were identified as having potential advantages and to facilitate their becoming "global giants". Greater financial and governance autonomy would devolve on these Companies and they would operate on the basis of Memorandum of Understanding with the respective Ministries.

In 1998-99, SAIL registered a loss for the first time in 15 years, amounting to Rs. 1534 crores despite having recorded its highest ever sale of steel. Amongst the reasons for the decline were high cost of capital charges and the fact that SAIL had also been compelled over the past three decades to take over, at the behest of the government, certain severely sick companies in the public sector like Alloy Steel Plant and Salem Steel Plant. Liberalization of the economy since 1991 had also increased competition levels. Earlier, SAIL was the sole public sector steel producer in the country and TATA Steel was the sole private sector steel producing company. The steel industry in India was dominated by this duopoly. Now several manufacturing companies at different scales of operation had sprung up which cut into the assured margins and markets of the company. "Competition was now the name of the game. SAIL's funding of social infrastructure - schools, hospitals, townships and amenities therein like transport, cooperatives, dairies etc., as well as supporting loss making subsidiaries were resulting in a huge drain on the company's resources. All this was impacting the bottom line. High cost of manpower and social infrastructure was now proving to be a burden. Post economic liberalization, economic compulsions
forced SAIL to be more commercial in outlook while fulfilling its social obligations. It now focused on making the social infrastructure units self sufficient and reducing subsidies.

SAIL suffered from erosion in functional autonomy, interference in day to day operations and increase in unproductive workload like taking over of sick units. There was government generated risk aversion and inhibited buyer seller relationships. All this had prevented SAIL from developing into a fully commercial oriented enterprise with the required degree of autonomy.

According to Director (Commercial) who was erstwhile Director of Corporate Communication, “the Company was down in the dumps. It was bleeding. Those were the dirty years. Communication was like a sieve. Everyone spoke of his own vision and there was no control of external communication.”

4.2. The Plan for Restructuring

On 15 Feb 2000, Government of India approved a one time restructuring package for SAIL. The financial and business restructuring of SAIL had become necessary as a result of the decline in the Company’s profitability following the sharp recession in the global steel markets since mid 1996. By this time, SAIL had been in business for almost forty years, had five integrated steel plants and four special steel plants spread all over the country, a total of 12 Million tones capacity, turnover of Rs, 16,000 crores and average cost per employee was Rs. 1.5 lakh per annum.

The erstwhile Chairman, Arvind Pande, explained to this researcher, “Planning for restructuring took more than a year as it was preceded by a detailed diagnosis. IDBI and McKinsey were consulted before drawing up a Business Plan and sending to the Government. We were determined that we will not let the Company go to BIFR (Board of Industrial Finance and Restructuring). We were very close to that. Scenario planning was regularly done and the emphasis was that we should remain market leaders. Scenario and rules were set by the Market and the MOU with the Government.” The AGM Corporate Planning, Mr. Sanjay Sinha explained that the delay was because “the government had to be convinced. Public Sector Units (PSU’s) sought repetitive support from the government and so the government was always
skeptical. Foreign Institutional Investors and banks had to be convinced as they had
given loans.”

The erstwhile Chairman referred to the government’s approval as “a
momentous decision as it heralded the beginning of a change in the nature and
functioning of public sector units (PSU’s).... The government has agreed to help us
in our time of needs....SAIL was suffering severe pressures on operational
resources... restructuring would strengthen our competitive position internationally.
The Herculean efforts of entire SAIL collective in tiding over the difficult times are
indeed commendable 1”.

The restructuring plan was to be closely monitored by the government and its
implementation was to be time-bound. The features of the package given by the
government were three.

First, under financial restructuring, the government waived its outstanding
loans of Rs.5454 crores. This would help reduce the debt-equity ratio helping
improve the perception of SAIL’s stakeholders and the market. The Government was
holding around 85.82% equity in the company and an improvement in equity
evaluation would set the ground for future disinvestment of the company.

Second, the business restructuring was to focus on core strengths of
producing carbon steel and divest power, alloys/special steel and oxygen generation
functions to repay loans and meet the technological needs of the four main steel
plants at Bhilai, Bokaro, Durgapur and Rourkela. While divesting the non-core
production units, the Chairman asserted, “I would like to reiterate that interests of
employees in units being divested will be adequately taken care of”. The business
restructuring was expected to improve profitability within a period of two years and
facilitate outstanding wage and salary revision issues. According to the Chairman,
“The financial restructuring will only give us a breather and prevent us from
becoming a potentially sick company. We must use this opportunity to revive our
fortunes. Till we generate adequate resources, we will remain cash - strapped
company.”
The third element of the restructuring was Rightsizing manpower. As on 31 Dec 1999, SAIL had manpower of over 1, 60,000 (excluding subsidiaries). The Chairman asserted, “I have repeatedly stressed that SAIL has to reduce its workforce to a level of around 100,000 to become truly competitive.” Despite operation of two successful voluntary retirement schemes in 1998-99, SAIL’s workforce continued to be far above that in comparable iron and steel facilities internationally. This was to be achieved over the next three years through natural and voluntary separation. As part of the package, the government had agreed to support the voluntary retirement schemes and provide 50% interest subsidy on an amount of Rs. 1500 crore which was to be raised from the market.

The major areas of focus of the restructuring plan were an across the board cost reduction drive to include reduction in input costs and improving operating efficiencies; realizing benefits of modernization through improved technologies; marketing initiatives; and rightsizing manpower.

The Chairman in his message to the Company on 21 Feb 2000, stated, “I am confident that we can restore past glory and ensure long term viability of the Company. The Government has reposed great confidence in SAIL. Time has come to discharge our responsibility by emerging winners once again.”

“So far, SAIL was like a rudderless ship,” claimed the Director of Manpower Planning.

4.3. Human Resource Strategy

Manpower surplus was caused by excessive employment; modernization and technological changes; closure of old units; joint ventures or hiving off; higher skill requirements; skill obsolescence; process improvements; and inflexible work definitions. Manpower reduction was necessary to reduce high labor cost; improve productivity levels and enhance competitiveness.

Prior to the service age limit being raised to 60 in 1998, it was envisaged that there would be reduction in manpower and consequently fixed costs to the extent of 45,000 over the next four years through voluntary and natural attrition. Since natural
Attritions were now not possible till mid 2000, efforts had to be made to secure more voluntary separations. VRS schemes were operated in 1998 and 1999 successfully with about 6000 and 13000 employees separating voluntarily in these two schemes respectively. With effect from 31 Mar 1998, SAIL had also introduced a sabbatical scheme to encourage employees to avail leave for self-renewal and provide opportunities to employees to voluntarily seek employment elsewhere.

Labor cost inconspicuously contributed to inflating the debit column of SAIL's balance sheet year after year. SAIL had a workforce of 1,80,000 including subsidiaries and the increasing labor costs were offsetting the benefits derived from installation of latest production technologies at the plants.  

The Department of Public Enterprises had launched various schemes between 1986 and 1993 leading to a reduction of 17,000 employees. Despite a net reduction of 6,200 in manpower between 1991-92 and 1996-97, salaries and wages component had grown at an average of 18.1% during the same period. Labor cost was 21% of production cost in SAIL, the highest amongst steel producers in the country followed by Tata Steel which had 19%

"However, instead of treading on the oft beaten track of selective retrenchment of the workforce, a path commonly taken by less conscience-stricken employers in times of crisis, SAIL has chosen to control the rising cost of labor by adopting a more humane approach and offering a voluntary retirement scheme (VRS) to its employees," stated the Director, Personnel and Corporate Planning. The scheme was launched on 01 March 1998 and was in operation for six months. VRS was not new to SAIL. Around 17,000 employees had opted for the last VRS offered by the Company in 1993. Lump sum payments were given tax free. The 1998 VRS package was more generous and assured employees a comfortable post-retirement life. Offered to those with minimum 20 years of service or 50 years of age, it promised a monthly benefit amounting to a specified percentage of basic pay plus dearness allowance for a maximum of 10 years or till the date of superannuation, whichever was earlier. The percentage of basic pay would be 100% for those above 55 years of age; 90% for those between 52 and 55 years and 80% for those between 50 and 52 years. Further, the retiring employee would also get the benefits of medical facilities for himself/herself and his/her spouse. The scheme
was such that even though an employee is not working he was getting a major portion of his wages till the date of superannuation.

The objective of the VRS schemes was to optimize the effective utilization of human resources. Manpower rationalization was being targeted at employees working in units being phased out or facing technological obsolescence; departments/units becoming economically unviable; non-works areas; employees having actual attendance of less than 240 days in a year; underperforming employees including those medically disabled employees having qualification below graduation; and surplus/non-deployable employees.

"We are in no way severing our relations with those being granted VR. They would still be respected members of the SAIL family and fraternity. However, since the circumstances do not permit us to be able to utilize them, they would be paid an attractive package," declared the Director, Personnel and Corporate Planning.

"To ensure a healthy SAIL, those who are in a position to contribute more towards the Company attaining a competitive edge, would not be given VRS. I don't think the veto option can be taken as a selfish measure. VRS is not a matter of right. It is necessary to retain high performers so that we can achieve greater heights. I don’t think employees being denied VRS should feel demotivated. In fact, we are giving such employees a message of our recognition of their abilities and the faith we have in them. This, by itself, is the biggest motivation," according to the Director, Personnel and Corporate Planning.

While the VRS 1998 was offered to employees with 20 years of service or 50 years of age, the subsequent schemes lowered the service and age eligibility. VRS 1999 was offered to employees with 15 years of service or 40 years of age.

VRS was more targeted towards departments/units being phased out; non-works areas; non-performing employees; employees unskilled and less qualified; and surplus and non-redeployable employees. Working with lesser numbers was encouraged through adoption of strategies like merging departments; closure of uneconomic units; reducing crew strength and multi-skilling employees; process improvements; centralizing functions; automation, computerization and
mechanization and finally "identification and elimination of un-productive work-force\textsuperscript{20}.

Care was also needed to make VRS effective \textsuperscript{20}. Steps included timely payment of monthly benefits; proper servicing of benefits such as medical; guidance of investments; help in employment/self employment and training for small business and feedback was to be sought even after retirement. Creation of alternative opportunities for employees was a focus area. In this use of surplus land; allotment of shops; encouragement to take up local art/craft/ industry; setting up of training centers and education in high demand areas such as computers was offered.

No recruitment was undertaken against VRS vacancies and higher per cent reduction was achieved in loss making plants. Non- work area reduction was higher than works area reductions. In 1999 the average age had reduced from 43.87 to 41.59 years. There was higher reduction in executive category and in higher age groups. 80% employees availing VRS were below graduation and 50% below matriculates \textsuperscript{20}.

"For the VRS 1998, there were less optees as Income Tax authorities were themselves not clear on how the benefits in VRS have to be treated. In 1999, the income tax exemption on lump sum payment upto Rs. 5 Lacs was clear and 25,000 applications were received. This was considered as excessive by the top management and would have led to a vacuum. So, orders were passed to limit the acceptance up to specified figures for each department, \"explained the Exec Dir i/c Personnel and Administration."

4.3.1. The Communication Plan

A company wide communication programme was launched to cover the SAIL corporate office, steel plants, mines, collieries and marketing centers. The aim was to increase awareness in all of the difficult business and financial conditions under which the company was operating and the strategy being adopted for the turnaround. The objective was to convince all employees "from Chairman to a gateman" the need for restructuring. A communication document titled, "Turnaround and Transformation: A Path to Global Competitiveness" was prepared. It outlined the
Restructuring plan of the company including its business processes. This document was circulated to all senior executives of the company in September 1999. Following this it was planned to gain wider commitment to the turnaround plan across all plants and units. A group of 66 Internal Resource Persons (IRPs) from all units and plants were collectively briefed and trained in a workshop at SAIL's Management Training Institute at Ranchi. The root causes of the current crisis and the strategies evolved to overcome them were internalized by the IRPs. The emphasis was on redefining business and now measuring performance in terms of cash earned and cash spent instead of tonnes produced or tonnes sold.

The current situation was projected as being not economically sustainable and the emerging market scenario was explained to this core group. A video film containing the message of the Chairman, SAIL, Mr. Arvind Pande was also shown to the audience. In the film, the Chairman explained the situation confronting the Company and the direction of the response. The choices confronting the employees were outlined by the Chairman, which were: "letting things continue the way they are, or taking steps to make the company a viable, competitive and resurgent entity. While the first choice would only lead to decay, we can shape our destiny through collective effort towards desired change." Copies of this video were sent to all plants/units for dissemination through workshops.

The plant/unit level workshops were then conducted by the IRPs commencing in October 1999. By the end of the year, 16000 employees had attended these workshops. Those who attended were then expected to carry the message forward to their peer group and fellow colleagues. The plant/unit level discussions were conducted under the guidance of the Chief Executives. Each of these workshops was presided over by a representative of the top management to clarify and respond to the queries raised by the participants. This communication exercise in all the plants and units was being personally supported by the Chief Executives/Managing Directors. Almost 100 percent coverage was achieved in these workshops which were truly interactive in nature. With consecutive workshops the IRPs grew more confident in fielding queries raised by the employees.

According to Director (Commercial) who was erstwhile Director of Corporate Communication, "Much credit must go to the MDs who reached out to the employees..."
to convey the need for survival measures........It was also important to capture motivated rumors set rolling possibly by competitors in the private industry...... The network of the former Chairman, Mr. Arvind Pande formerly IAS, helped in securing a full wage revision for the employees.

"The main challenge was to change the mindset of a public sector enterprise to that of a commercial and competitive enterprise. The Company needed to behave like a private enterprise," stated the erstwhile Chairman.

According to Erstwhile Executive Director i/c Personnel and Administration, effective implementation required communication of need and urgency for VRS; popularize benefits and condition of VRS; make coherent and consistent communication taking care of apprehensions, concerns and rumors amongst employees. There was a need to involve the Unions and use 'opinion leaders; and make VRS a Key Result Area for Managers. Persuasive tactics - e.g. delay/stop promotion, increase in benefits etc. was also suggested by the SAIL headquarters 20.

"Cost Multiplication Divides Profits" declared the posters reminding employees at each turn of every SAIL facility. According to erstwhile General Manager, Corporate Affairs, "There was one media package prepared for all the Plants. Two themes dominated the communication. One was to increase awareness of the environment in which the business was and second was to emphasize the need to cut costs. Townships were a responsibility of SAIL and proving to be a big burden. Houses owned by Company were hived off to own employees and this generated about Rs.400 crore. There were plans to hive off other assets and units. When tenders were floated for privatization, people got the message that we were serious. These actions increased both consciousness and fear in the employees. Survival theme had more acceptability as individual survival became dependent on Company survival. Targets were set for each Plant for manpower reduction. There was no Union resistance. In communication, we did not create any difference between executives and non-executives. Executives were even offered three year sabbatical without salary to help them search for employment. They had option to rejoin. Some joined private companies and some rejoined. Similarly in VRS, it was all voluntary and not compulsory. It was a WIN-WIN situation for all. Or communication philosophy was to tell all what was happening and why. We established credibility of
media by adopting vernacular language in our communication as the Company has a wide geographical spread. The main medium of communication was through line management. In each Plant the MD rolled the ball in communication. The corporate communication departments in each Plant acted as facilitators to line management and would report to the MD. Information sharing between Plants was turned into a ritual so that there was consistency in communication across Plants. A culture change and change of mindset was being effected from a public sector mindset to a competitive mind-set. Communication was planned to bring about a behavioral change in employees which would result in cost cutting.”

Organization leaders usually set the tone for the communication that cascades down the hierarchical chain in organizations. In the case of SAIL, the Chairman would periodically send out messages to the entire SAIL collective giving an overview of the Company's state, the existent business scenario, the call for action and the future plans of the organization. These messages are published in the internal communication magazine, SAIL News. A study of these messages over the restructuring years proved instructive and helped in historical reconstruction of events. A sample of these messages are reproduced and analyzed below.

4.3.1.1. SAIL Chairman’s Messages over the Years of Restructuring

All the Chairman’s messages published periodically in SAIL News during the period of restructuring were content analyzed to identify the metaphors in use that tend to reveal the existing state of the organization, relationship with stakeholders and nature of employee communication. The messages are listed chronologically as per the dates on which these were issued. If the title of the message was metaphorical it was picked up. The language picked up from the messages is exact and the metaphors are indicated in italics while metaphor categorization is indicated by the researcher in brackets at the end of the quoted sentences. In the findings, Metaphor categories were then quantified for each year to judge frequency of use of each metaphor category. While it is not necessary that the highest frequency use of a metaphor is indicative of the dominant metaphor in use, it does provide inputs for determining against the qualitative assessment of the dominant metaphors.
(i) On 21 Feb 2000

- The Herculean efforts of the entire SAIL collective in tiding over the difficult times are indeed commendable... (Journey)
- Financial restructuring cleared by the government has only given us a breather... (Journey)
- and prevented us from becoming a sick company ...(Health/Survival)
- We must use this opportunity to revive our fortunes. (Fate/Destiny linked to Survival)
- Meaningful private participation in management of other units is expected to plug their cash and accounting losses and ultimately revive their fortunes. (Fate/Destiny linked to Survival - external conditions beyond control and so reliance on destiny)
- Interests of employees in the units being divested will be adequately taken care of. (Paternal-Family)
- I am confident that we can restore past glory and ensure long term viability (Survival)
- The time has come for us to discharge our responsibility by emerging winners once again. (Game/Contest)

(ii) On 01 June 2000

Imperatives of Survival (Survival)

- Despite these projections and the Company's avowed stand to protect the interests of employees in all the units proposed for disinvestment, it is unfortunate that pockets of resistance to restructuring have cropped up within the organization. While it is a fact that some resistance to change is inevitable, it is important to assess the situation logically, rather than emotionally... With close interaction and extensive communication... I am sure you are now seeing the entire issue in its right perspective... (Gardening)
- As employees, our fortunes are inevitably linked to that of the Company. Hence, it is in our interest that we should extend whole hearted support to the restructuring process... Restructuring will not only benefit SAIL, it will also improve the fortunes of the units being divested... (Destiny/Fate)
To have a meaningful presence in global business, we have to take the change in our stride. (Journey)

(iii) **On 31 October 2000**

**Stepping Up the *Momentum* (Journey)**

- ...SAIL's restructuring plan has gathered *momentum* (Journey)
- ...probability that second half will not even be as *healthy* as the previous half..(Health)
- ...*healthy* growth in sales ......cut losses by two thirds  (Health)
- ......market conditions remain *sluggish* (Journey)
- Restructuring remains SAIL's real *ticket to prosperity* (Journey)

(iv) **On 01 January 2001**

- Arjun focused on the *eye of the fish*. We, too, must focus solely on generating profits (Win Profits through Focus – Prosperity; draws on myth). (Journey)
- We, in SAIL, are stepping into this new era with change in our *stride*.... (Journey)
- Slowly, but surely, we are advancing *on the road to competitiveness* ....(Journey)
- Technological upgradation....we cannot expect to *ride on* this strength alone..(Journey)
- The *path to profitability* is thus riddled with the possibility of setbacks due to changes in our external business environment (Journey)
- We must, therefore, make ourselves stronger to *travel that extra mile* to our goal. (Journey)
- These are *trying times*....... *modernization of the mind* makes the real difference... We need to keep our *minds open* (Modernization)

(v) **On 28 February 2001**
- As part of the turnaround plan, VRS-2001 has also been launched from 20 February 2001. Based on the DPE guidelines adopted by the Government last year, it will be in operation till 16 April 2001. We are now concentrating on drawing up our roadmap for 2001-02. (Journey)

(vi) On 30 June 2001

- That SAIL is firmly on the road to recovery was evidenced in financial results of 2000-2001 as the Company was able to register a cash profit (Journey)
- Our thrust on three areas contributed to most of our success – higher value – added items in our product basket fetching better prices, controlling costs with a firmer hand, and executing the first phase of power plant divestment for capital gains (Control)
- But this recovery is under threat... market has turned severely adverse with prices fallen steeply... our performance is under stress.... We must recover lost ground (Contest)
- The challenge of bringing Company closer to break even position this year rests mainly on gains through restructuring of assets, including the leasing of Company houses at the plant/unit locations to present and former employees. This scheme is beneficial to both the employees as well as the Company giving employees houses of their own and the Company much needed cash. (Survival)
- We also expect to meet the targeted reduction in manpower this year through our ongoing VRS in the coming months.
- While we cannot control the external environment, we have to make all efforts to keep our heads above the water and swim against the tide in order to survive (Survival)

(vii) On 31 August 2001

The Need of the Hour (Imperative)

- Faced with a sliding domestic market as well as denial of access to foreign markets, Indian steel producers are doubly jeopardized and left with few choices. The majority has responded to this clincher by restricting production, cutting costs
and adopting aggressive selling postures, but such contingent strategies cannot obviously sustain the health of the industry for long. (Survival/Health)

- I have consistently maintained that restructuring would be our ticket to prosperity (Journey).

- As we garner more gains, we would be able to offset the ..downswing of the market.... (Contest )

- The process of divesting our power plants at Bokaro and Bhilai is nearing completion. A joint venture for the Rourkela Fertilizer Plant is under consideration.....We are also quite certain of meeting our target for rationalization of manpower, through VRS this year. By end of September 2001, we expect to become a company with less than 1, 50,000 employees. The rationalization of manpower will get further support from the recent Supreme Court Judgment which ruled against automatic renewal of contract labor.

- The cost of manpower in SAIL however, has risen on account of wage and salary revision. I am sure that all employees will make up for this additional burden through value addition in all spheres of operation. (Survival)

- It is clear that we have no alternative but to concentrate on simultaneously generating revenue and savings, and carrying restructuring to its logical end in order to survive with our heads held high. (Survival)

(viii) On 01 January 2002

Challenges are Opportunities (Contest)

- May the year signify the start of a new beginning, one which brings fortunes to our Company as well as to each of us (Destiny/Fate)

- Market swings..are a reality for which we must brace up and acquire..competitiveness (Contest)

- Manpower downsizing coupled with better process management has improved productivity.. Shedding legacy of the past is an important part of the turnaround exercise and acquiring modern structure and facilities even more so. More than the physical aspect, I refer to the right approach of the mind which is the determinant for success in this exercise (Modernization)

- Given the ruthless nature of the market in which we operate, there are rewards only for the brave. Singly and collectively, we must be focused on the
competitive world, where no business is secure unless it is winning in the marketplace. (Contest)

- The adversities being faced by the steel industry in the turbulent times that we have been passing through encompass global slowdown, excess supplies, rising costs, falling margins and protectionist markets. Typically this is also an environment which spells out prospects for growth. It is really the rough weather that brings out the real capability of a climber. Similarly, it is the phases of difficulty that actually bring out the true strengths of a real leader. (Growth through Contest)

- In tough times like these, taking one challenge after another in our stride—step after step—is vital. Because only then can we continue to move forward and convert obstacles into opportunities. Overcoming every adversity, to constantly reach out to the goal of attaining the peak, which remains profit generation. (Journey to the Peak)

(ix) On 28 Feb 2002

- The last ten months have seen the fortunes of our Company being reversed dramatically. From a position of cash profit at the beginning of the current fiscal, SAIL has gone well into the red again despite having sold far greater volumes than any other year and having further reduced debt and interest burdens. Sluggish market forces pulling prices sharply down coupled with higher cost of production due to increased input costs were the major reasons...... (Destiny/Fate)

- One way to substantially reduce cost of production is to achieve economies of scale by maximum capacity utilization of the mills......After detailed study, the plants have also recognized their inherent potential for stretching capabilities ..... I am glad to inform you that there is strong commitment to move ahead on the path right away. (Journey)

- Now is the time to maximize our full potential through process re-engineering and aggressively chasing market requirements. (Game/Contest)

- For the plan to move smoothly, however, we will need to remove existing bottlenecks in all production areas. Every shop floor, every process, every function must be examined thoroughly, and obstacles in the way of capacity maximization and production of value added steels removed permanently. (Journey)
With the blessings of the Ministry of Power, Damodar Valley Corporation has now become our joint venture partner in Bokaro Power Supply Company Ltd. (Regard for Government)

Obstacles, however, continue to thwart our efforts to divest our holding in Salem Steel Plant and Alloy Steel Plant, both of which were scheduled to be transformed into joint ventures by March 2002. Efforts are on to minimize ASP's losses before a final solution can be found for its survival or otherwise. Situation regarding SSP is becoming really worrisome...... Continuous opposition to our divestment plan will only succeed in pulling the plant further into the red....... (Journey/survival)

The challenges before us are many and varied and continue to come thick and fast (Journey)

(x) On 30 April 2002

Riding the Market (Game/Contest)

- The sharp U-turn taken recently by the steel market has pleasantly surprised us all... (Journey)

- The scenario calls for quick action on our part, to grab the opportunities offered by the market, (Game/Contest)

- The need of the hour is to be in tandem with the market by stretching our production facilities to the hilt. (Game/Contest)

- The impressive strengthening of SAIL's fundamentals during the last financial year has placed us in an advantageous position. Consolidation and Focus were the thrust of our initiatives.. (Game/Contest)

- The true strengths of the leader called SAIL...a dedicated workforce committed to the improvement of the Company's fortunes (Destiny/Fate)

- The improvement in market sentiments will strengthen in coming months. Though it is difficult to predict how long this good fortune will last (Destiny/Fate)

- Steel business cycles have demonstrated a penchant for becoming shorter during the last decade or so - it is imperative for SAIL to take advantage of this market momentum (Contest)

- With the market picking up, ..giving us the hope of taking the company to break-even point: (Survival)
To come to that position...we must......prune costs even further (Gardening)
- We can achieve this by moving full throttle into maximum capacity utilization by eliminating bottle-necks and fine tuning production processes (Journey)
- The time has come to take the bullish market by its horns. Our target of scaling the peak is within reach. (Contest/Journey)

(xi)  On 31 August 2002

We have Overcome (Contest/Conquest)

- The entire focus of our initiatives (for the past five years since I wrote my first communique’) was to bring in change in thinking, working and aspirations. Looking back, I must say we have traveled a long way since then. (Journey)
- We have become customer centered; faced competition headlong, outsmarting the best on many occasions; brought in financial awareness and worked as a team. (Contest)
- All this will help us unleash the power of a synergized workforce (Contest)
- We all know that like all vibrant entities, an evolving organization will succeed in the long run. (Journey of Evolution)
- The restructuring programme that we undertook was not merely the first of its kind in any PSU. It was an acknowledgement of a widely felt need to operate as a commercial enterprise irrespective of the nature of ownership. I am glad that you reposed faith in my vision and resolutely implemented the bold plan we encrypted to overcome the challenges posed by the hostile environment as well as our unwieldy structure. Your commitment to the common cause has helped SAIL to consolidate its fundamental strengths and evolve a much needed fighting spirit. (Contest)
- The recovery in international prices ...,has added wind to our sails.... (Journey)
- We initiated change in our business outlook at a time when the dark clouds of a difficult business environment threatened our very survival.....(Survival)
- We were able to identify all the areas of superficial expenditure and inefficiency and determinedly rid ourselves of them. With the flab reducing, we have been progressively tightening our belt and it is no wonder then that our organizational processes have become much more agile and responsive today. (Health)
- It is our *good fortune* that we operate in a *mature market environment*. (Destiny/Fate)
- As I bid adieu, I will always remember my association with you as a most enriching phase. More because, it was a period of *Agni Pareeksha* (Test by Fire) for SAIL. I consider it my privilege to have *led a company* with a 1, 50,000 strong workforce *out of the woods*. (Journey)

(xii) On 01 October 2002  (Under a New Chairman)

**Next steps towards Sustained Profit and Growth** (Journey/Growth)

- I consider it my privilege to be chosen to head *the SAIL family* (Family)
- Our biggest strength is our dedicated and skilled workforce. The last five years have been one of the most tumultuous periods for the global steel sector. With our determination to perform and change, we could withstand the upheavals of the business environment, while many steel companies all over the world *succumbed* (Survival)
- *As a commercial enterprise*, we should have *sustained profitability and growth* as our ultimate goal (Growth)
- In the days ahead, we will continue to ensure transparency in every sphere of activity. Hierarchy will not be a barrier in communicating ideas and suggestions that benefit the organization. Each of you is welcome to participate in this collective pursuit for *organizational regeneration*. (Growth/Evolution)
- SAIL has always been an industry leader. Let us *take it to greater heights*. (Journey)

(xiii) On 01 April 2003

- The *fruits of hard labor* are always sweet (Gardening)
- *As the curtains opened* on the new financial year, our organization moved to the *center stage* (Drama)
- In terms of performance, there were *records galore*. (Performance)
- As we reached *the finishing lines* last fiscal, most of our units were producing at 100% capacity utilization (Contest)
The key to our survival and future prosperity is continuous improvement in operational efficiency, fine tuning our production to the market requirement and generating higher margin from each ton of steel (Survival)

Returning to happier days is no more a distant dream... This is the year of turning the tide. Let us pledge to make the best of the better days ahead. (Conquest)

(xiv) On 31 May 2003

Fiscal 2003-04 is planned as the turnaround year for SAIL with substantial improvement in the performance. ... Our relentless efforts towards cost reduction managed to keep us afloat in one of the most difficult periods for the steel sector (Survival)

Other than variable operating cost, fixed cost reduction will also be a focus area. Efforts on manpower rationalization would continue to improve labor productivity and cost competitiveness.

When we embarked on the path of restructuring, we knew that the path was rough and tough, but our self confidence and belief in our strengths helped us to steer through a period of crisis. Our biggest strength is our skilled and dedicated manpower which has proved its resilience time and again. (Journey)

Today we stand on the threshold of turnaround. Let us make it a reality, leading the Company to greater heights of excellence. (Journey)

(xv) On 01 October 2003

The past few years was a period of rebuilding for us (Rebuild)

The emerging scenario has proved that we are on the right track. (Journey)

Real success is not built on sparks of brilliance but consistency in performance. (Growth)

As the leader of Indian steel industry our Company has the responsibility to carry the industry forward. We need to learn from China, where the steel industry is blazing a trail in bolstering the infrastructure and steering the process of development... The government of India has also laid a new roadmap envisaging huge investment in infrastructure. (Journey)
- We need to...grow faster and *take the Company to heights* which have not been conquered so far. (Journey/Conquest)

**(xvi)** On 01 March 2004

**Managing Growth** (Growth)

- Recent months have been the period of steady *ascent* in the company's performance (Journey)
- Durgapur Steel Plant entering the net profit mode and Rourkela Steel Plant earning cash profit have further strengthened our conviction *to reach greater heights* (Journey)
- No dynamic organization can afford *to rest on its oars*. (Journey)
- All major producers are planning ahead to enhance their capacity to take advantage of the growth in the steel market. It is therefore, the right time *to draw our road map* for the future. (Journey)

**(xvii)** On 01 Nov 2004

- .....we have *continued to grow on the path of profitability* ever since the Company turned around in the last fiscal (Journey)
- Three priority areas have been identified as focal points for future development of the Company. These include *developing employees* with potential as 'drivers' of excellence who would *steer the Company to greater heights* and contribute towards attaining excellence in operations and other spheres. (Journey)
- *We have miles to cover* to achieve the *ultimate success — to be a respected world class corporation*. This is the most opportune time to regenerate our strength. (Journey)

**(xviii)** On 01 January 2005

*A New Wind in our SAIL* (Journey)

- What is to our advantage today is *the new wind in our sail* resulting from our success in strengthening the Company’s financial foundation, establishing a culture
of cost consciousness and improving our business processes. Wisdom dictates that we fully utilize the momentum gained from this to achieve the higher levels of growth we have envisaged during the years ahead. (Journey/Growth)

- Let us take advantage of the new wind in our sail and drive ourselves harder as we progress; to realize our dreams; to conquer new horizons. (Journey/Conquest)

(xix) On 01 April 2005

Mission: Sustained Growth (Growth)

- We had our share of misfortune in the initial months (Destiny)
- Later part of the year production in all major units was full throttle (Journey)
- We took industry by storm with our remarkable turnaround last year (conquest)
- Synergy... will help us move faster in our mission for sustained growth. For this, let us take full advantage of the new wind in our sail. (Journey/Growth)

(xx) On 01 June 2005

Adding Strength to our Strength (Growth)

- Our tale of transformation moved through stages of turnaround, stability and now consolidation for future growth. (Growth)
- SAIL has stolen the limelight, emerging as amongst to profit making companies of the country. The steel market with pronounced buoyancy provided us valuable support, But as we all know, steel is a cyclical industry and high peaks are followed by dips... (Journey)
- Today our company has touched glorious heights on the strength of determined efforts. Teamwork and cohesive efforts will help us steer through all turbulence and keep adding strength to our strength. (Journey/Growth)
- We need to move ahead with speed without getting inhibited by trifling irritants. (Journey)

(xxi) On 01 January 2006
Leading the race to the Future (Journey/Contest)

- We touched new heights in performance...need to continue ascent with vigor. All we need is to be alert and fighting fit (Journey/Contest/Health)
- A number of new players are set to enter the market with top end technology and staying power. Capacity expansion plans by existing players have started being implemented with serious intent... high degree of competition in coming years... We, India’s largest steel makers have to stay ahead in the race (Contest)
- The top most priority for us now is to develop a faster pace and longer strides to lead the race to the future (Journey/Contest)
- To emerge winners, our growth rate has to be above the industry average. Let us surge ahead...towards our goal (Journey/Contest)

4.3.1.2. Findings of the Chairman’s Messages

A content analysis of sample of three messages per year of the Chairman published in SAIL News over the restructuring years revealed several metaphors which could be clubbed into separate categories. A quantitative evaluation of the categories is tabled below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Journey</th>
<th>Health/Survival</th>
<th>Contest</th>
<th>Destiny</th>
<th>Gardening</th>
<th>Myth</th>
<th>Family</th>
<th>Drama</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>8</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2001</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2002</td>
<td>6</td>
<td>1</td>
<td>26</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2003</td>
<td>7</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2004</td>
<td>7</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2005</td>
<td>9</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

The tabulation reveals that the Journey metaphor was consistent through the years and likely to be the root metaphor. It provided the backdrop to all communication as SAIL was seen to be on an endless journey towards prosperity.
Restructuring was seen as a ticket to prosperity. The obstacles had to be tided over and government approval gave the Company a breather. Change had to be taken in the stride and momentum had to be stepped up. SAIL was stepping into a new era and had to advance on the road to competitiveness, road to recovery and the path to prosperity. There was a need to remove bottlenecks and obstacles in the way. Later, the company would move full throttle and step on the gas.

Health and Survival metaphors dominated the communication in the initial years of the turnaround viz, 2000 and 2001. The sick company had to plug its losses. Survival was an imperative and the financial state needed to be healthy. Cost of manpower was seen as an additional burden. The company had to make itself stronger. Doomsday stories prevailed in the Company. The Company was on the brink. "Dark clouds of a difficult business environment had threatened our very survival" The flab had to be removed and belts had to be tightened. The Survival metaphor is also likely to be a root metaphor.

The metaphor of Destiny is indicative of a certain helplessness and lack of control over the external environment and is manifested in the use of the word 'fortunes' by the Chairman. Fortunes had to be reversed. As SAIL gained more control over itself and was able to influence the environment, use of this metaphor receded.

In 2002, the metaphor of contest dominates and this is just prior to the turnaround year. Challenges and obstacles are seen as opportunities. The ruthless market; turbulent times; and rough weather had to be overcome. Business would not be secure without winning in the marketplace. SAIL's capability as a climber was under test and scaling the peak of profitability was within reach. Competition was faced headlong and outsmarted on many occasions. A fighting spirit had to be evolved to fight the hostile environment.

The metaphor of Gardening is used once to suggest pruning of costs.

The Chairman draws on myths from the Hindu epic Mahabharata to emphasize the need for focus on profits. Citing the incident of how Arjuna won the contest to win the King's daughter, Draupadi, he draws parallels with Arjuna's
focused aiming on the eye of the fish. He pleads for a similar undistracted focus on profits.

Downsizing is referred to by the Chairman in several ways as fixed cost reduction; manpower rationalization; reducing flab; tightening the belt; pruning; obstacles in the way of capacity maximization and productivity to be removed permanently; removal of bottlenecks in all production areas; Shedding legacy of the past; additional burden; and divestment.

The metaphor of Family is evident when the Chairman assures that the interests of employees in the units being divested will be adequately taken care of. The metaphor of Family is also used by the new Chairman in 2002 when on assuming the appointment he refers to himself as the head of the SAIL family. This metaphor is taken forward at the plant level as will be evident in the Rourkela Steel Plant case.

The metaphor of Drama is used once by the Chairman when he refers to SAIL having moved center-stage and the curtains having lifted. It does not take further.

After FY 2003-04, the turnaround year, the metaphor of Growth dominates the communication. The ultimate success of the Company is seen as being a respected world class corporation and there was a need to regenerate strength. The mission now was of sustained growth. Strength had to be added to strength. The turnaround moved through stages of turnaround, stability and future growth and SAIL had to take advantage of the new wind in our SAIL. The metaphor of Growth appears to have substituted the metaphor of Survival as a root metaphor.

Having obtained a corporate overview of the restructuring years from the Chairman's messages, communication at the plant level will now be examined. Prior to presenting the cases, it is necessary to get an overview of the prevalent Industrial Relations environment and the role of the Union in downsizing.
4.4. **Industrial Relations Environment**

For SAIL, there is only one negotiating body on various matters for executives and non-executives at the all-India level. All units of SAIL have got a separate set of Unions for non-executives and an association for executives. The unit level unions and associations do not negotiate directly with SAIL's corporate management. However, once a national level agreement between the Company and non-executives Union is reached, the individual units hold a separate set of negotiations with their recognized Unions to adopt the same at unit level. The agreement on major issues reached at the national level is implemented straightaway at unit level. The executives' associations at unit level meet management on various issues that do not extend beyond individual units.

Erstwhile Executive Director i/c Personnel and Administration was involved in the evolution of the VRS schemes. He explained that there were two stages of the process – one, evolving the scheme and second, making people aware of the scheme. In evolving the scheme, he had ensured that that it was acceptable to the top management and had the legal sanction of the board of Directors. In the second stage, they presented the proposals to the National Joint Committee comprising the Union and the Management representatives. The Central Union did not give whole hearted support but did not object to the management explaining the scheme to all local Unions. So, a central team including erstwhile Executive Director i/c Personnel and Administration visited all the production sites and discussed the VR schemes with the management and Union representatives there. After knowing that there would not be any opposition, the schemes were then launched.

According to the erstwhile Chairman, "Unions did not support or oppose VRS. They understood......The lifetime pension was more acceptable to the employees. Redundant people took the VRS. Market was not good and so we did not lose many good people. We were not bothered; we were liberal in giving. VRS did need persuasion at the shop floor level."

Answering about the role of Unions, the erstwhile Chairman stated, "Due to direct communication between the management and the employees, the role of Unions is receding. All new steel companies have no Union. New players avoid the
There is an increase in the qualitative level of intake and a lot of outsourcing is being done. Unions are not as strong as they used to be. I agree that Unions are no more a necessity."

The erstwhile Chairman explained, "In the year 2000, wage revision which was due since 1997 was done. Between 1997 (year due) and 2000, employees, realizing the Company's predicament, had agreed to take revised wages later. Unions did not pose resistance. Union Leaders realized that it was not the Company's fault. Bonuses had come down, wage revision was held up and LTC was stopped."

Erstwhile Executive Director (i/c) Personnel and Administration narrated that due to the factual information disseminated down to Unions and employees and recognizing that there was a common threat to the identity of SAIL, Union resistance was limited to 'murmurings'. They all realized that rightsizing manpower was necessary. This facilitated the removal of dead wood."

4.4.1. Agreements with the Union

In the case of SAIL, there were no agreements with the Union which hindered the offer of Voluntary Retirement Schemes. Having been taken on board with respect to the manpower reduction plan of the Company the Union did not oppose or support the offer of VRS to the employees.

As theory suggests that multiple metaphors exist in organizations, it will be instructive to see what metaphors existed in different Plants at around the same time of the change process. Two cases of downsizing at the Plant level are chosen. The case of Rourkela Steel Plant (RSP) was chosen to demonstrate the achievement of the wider objective of downsizing, as already discussed in the concept of downsizing, which is to improve organizational performance. While the VRS schemes operated alongside, RSP transformed from a loss making Plant to a profit generating Plant due to human resource interventions aimed at systemic changes strongly supported by communication. The case reveals how management used metaphors in the language to bring about a distinct change in work culture. In the second case chosen, that of Bhilai Steel Plant (BSP), the situation was contrasting as BSP had continually made profits and therefore the context in which it was operating was different from what existed at RSP or at the Corporate level.
4.5. Case Study of Rourkela Steel Plant (RSP)

"RSP was the torch bearer of the public sector steel industry in India and carried the banner of the industrial revolution for the nascent republic of India. It was started in the mid-fifties with German collaboration. To overcome technological obsolescence and remain competitive, a modernization programme was launched in 1988. By 1997, all modernization plans had been completed. Between 1984 and 1995, RSP made uninterrupted profit and was one of the most profitable Plants of SAIL. The modernization costs were met through commercial borrowings and the loan carried a huge burden of interest which appeared in the accounts of 1995-96 and combined with this was the burden of depreciation. A main problem at RSP was low capacity utilization of modernized areas at 70%. This increased the cost of production. The reason for this low capacity utilization was poor equipment health. The occurrence of 'surprises' due to continued neglect in maintenance of equipment and machinery in the form of fires, breakdowns, and maloperations disturbed plant operations quite regularly. The word 'maloperation' was used to denote lack of alertness; a people and system interaction problem - not so much related to technicalities as to issues of the mind. Another problem was the acceptance of low standards. A low level of discipline; dominance of pressure groups which resisted even shop floor changes; and a perceptible fear amongst the employees characterized the workplace. RSP began to make losses from the financial year 1995-96 continuously. Most employees were expecting the closure of the Plant and morale was low. An absence of leadership in the organization was evident.

The world steel market was sluggish and in the throes of several problems like overcapacity, stagnation in steel consumption, fierce competition, restriction on exports and a drop in net sales of steel products during 2001. Addition of capacity by several private sector players pushed prices down whereas the demand did not increase. Apart from these generic problems, RSP had some added internal agonies in the form of interest and depreciation arising out of the massive investments in modernization, substantial payments made towards arrears of wage revision due since 1997 and the additional burden of settling the dues of employees who separated on account of liberal Voluntary Retirement Schemes as well as an exorbitant rise in cost of vital inputs. The Plant had two months of accumulated production stocks as anticipated orders did not materialize. The morale of employees..."
was worst affected and they did not see any ray of hope. Employees were driven by fear and lacked a sense of pride due to recurrent losses, low capacity utilization, deteriorating health of equipment, poor image of RSP and its low credibility at SAIL corporate headquarters. Poor industrial relations in the Plant led to wildcat work stoppages. In sum, the situation was grim and the very survival of RSP was at stake. RSP got labeled as the highest loss maker in SAIL and the steel city was labeled as a dying city.

"For RSP, May 2001 marked the change over to a new leadership. At this point the Plant stood on cross-roads, weighed down with recurring losses, and defying all counter efforts to reshape its future. "The Plant was in crying need for survival". "The Plant was in dire straits for several successive years...it needed revival". The new leader was on a razor’s edge. The need of the hour was to break new paths..." "The imperative for top leadership was to rebuild the Plant into a living organization..." Equipment health was poor. RSP appeared to be on the brink. The Chief Executive was in an unenviable position with his back to the wall. Walking a tight rope, he had to find answers to the situation only by treading new paths hitherto not traveled... to break away from the past.

The MD broke the hierarchy protocol and reached out to the employees on the shop floor to gauge the problems by talking directly to the employees who operated the machines and the equipment. He knew that steps had to be taken right away and that he did not have the "luxury of an unlimited time frame". These initial interactions helped the MD formulate the strategy. The MD recounts, "When I took over, the situation was a really challenging one. RSP had been incurring losses for six years in a row........ I clearly remember the discontentment among the employees and that’s when I discovered a large pool of human resource waiting to be harnessed."

The MD also took a look at the critical and important positions at the Senior Management and General Manager level. A reshuffle was ordered where incumbents were given new areas for delivering results instead of departments where they had grown. These executives were posted with clear cut responsibility for results. Non-performers were eased out to make way for performers in key positions.
To revive and transform RSP from a loss making to a 'Profitable, Harmonious and Vibrant Organization', a pioneering three year transformational programme was launched. It was a mission for survival and growth designed to secure the future for the people of RSP. "The MD stated, "It is my firm belief that people constitute the most powerful force in moving an organization forward, even when the organization is highly technology centered. It was important for me to actually meet people and explain to them the priorities of the organization besides knowing from them their own understanding of the organization and their role in determining its future.""

4.5.1. Initiation of the Turnaround Strategy (2001-2002)

"Regenerating Strength with People" was pronounced as the credo for the new transformational programme at RSP. The programme originated from the personal conviction of the MD – the Chief Executive, that people constitute the most powerful force in moving an organization forward. The driver for implementation was a set of detailed interactions with people by which a close leader-people relationship could take shape. The programme aimed at stimulating in people a synergy of commitment, ownership, hope and contributions replete with the spirit and consciousness of working together as one family for a better tomorrow.

The MD had earlier been the Executive Director (Corporate Planning) at SAIL Corporate Headquarters. He had then written about the model of the 'Regenerating Organization'. The concept is drawn from the science of 'Recovery and Crystallization' in metallurgy, where a deformed metal transforms into a stress free and structurally sound material that is ready for use in a variety of applications. "The most important feature of the Regenerating Organization will be its inherent resilience to withstand large changes in the environment, and at the same time adapt to the changes with positive and forward bias so as to emerge much stronger after regeneration. Such an organization will be capable of altering its fundamental structure and its internal processes, through mostly self actuated actions, while essentially retaining the very purpose of its existence as an entity." The MD drew a parallel with Darwin's theory of evolution where adaptive biological species not only survive but transform and transgress to higher life forms. Whereas in Darwin's theory the accent is on evolution and thereby a continual process is implied, the model of Regenerating Organization, according to the MD, needs to have a critical time frame within which regeneration
must occur. Suggesting this model for changes in SAIL, the MD had in 1999, specified a period of two to three years within which SAIL must transform if it did not want to move towards oblivion. Now, as MD of RSP, he was himself setting out to try out the regeneration model.

During interaction with the employees, the MD had observed that employees always came up with the blame game; blaming management and equipment failures for the current state. This mindset had existed for long and had put the Management and managers on the defensive. There was a barrier between plant management and the workers which had to be broken down. Direct two way access had to be developed between them without any intermediaries. The barrier had kept the workers insulated from the predicament facing the plant. The plant would have to come out of its inertia, perform and make profits or perish. Blaming was also directed at upstream and downstream units and a divide existed between maintenance and operations. Both Executives and Non Executives thought that they were working hard but not getting enough reward or recognition. Most interactions would get dominated by these issues rather than how to make things better. It was paramount that employees understood and accepted their responsibility in their respective place of work. If the plant was to turn around, employee motivation and industrial harmony would have to be ensured.

Elements of the credo of Regenerating Strength Through People were Sharing concern; Participatory interactions on Plant’s priorities; Bringing Closeness among people for mass action; Focusing on specific shop floor issues and gearing up for performance; and generating collective commitment to Survival and Future of RSP. The programme aimed at “creating an environment in which people believed in the Plant’s future; people would pursue a common goal with a homogenous vision; people could enjoy working together; people would exhibit the will to win, have resilience and steadfastness of determination to perform to full capacity; people would be introspective in evaluating their own performance; people could get opportunities to vent their suggestions and express their hopes and aspirations; people could be heard by the Chief Executive; people could overcome the mindset of externalizing blame for non-performance; people would learn from each other; people feel empowered to take remedial actions in their operational areas; people would be innovative and focus efforts on actions contributing directly to profits.”
In order to provide appropriate focus for the interventions, the MD set the priorities. There were ten priority areas for triggering the turnaround. When asked by a colleague whether these were too many, the MD quipped, “Certainly not, what do we do to develop the total personality of the children? We do not wish to limit their learning to academics alone. We try to provide them with a variety of exposure ranging from sports, music, dramatics, elocution, writing to general awareness. Everything has to go hand in hand. Similarly, we had to strike at many things at a time for taking RSP forward." Profit related Performance was pronounced as the single most important objective before the plant and reinforced repeatedly. “There was absolutely no substitute for Performance since the future of RSP depended upon internal physical actions." The situation demanded some tough talking to stress that “WE are responsible for the current situation and improvements could come only through physical actions to be performed by employees themselves on the shop floor." The focus had to be on profit related working and each employee had to understand whether his particular action was contributing more to cost or revenue. It was reiterated again and again that the future of steel Plant lay in the hands of the employees themselves.

4.5.2. Reaching Out to the Employees

The MD reached out to the employees on the shop floors and discussed with them the problems facing the Plant and listening to their complaints and suggestions. In a cordial and informal manner, he communicated his concerns and desires. Emphasizing on sense of duty and team work, the MD stressed that only those things must be done which are good for RSP and thereby good for us. Tackling many “hard-to-die myths” and mind-sets, the MD instilled the beliefs that “what is possible in the private sector is possible in the public sector too” and that it was “a sacred duty to keep this legacy and pass it on to the next generation." These interactive workshops were designed to extract commitment and “draw forth the people inside - out". After sharing Company concerns such as revenue and cash position and its implications the exercise was followed by sensitizing employees about activities contributing to losses. Adverse activities such as strikes, work stoppages, shift change delays, maloperation by employees that caused revenue loss were highlighted to increase awareness of the impact of employee behaviors on the
profitability of the Plant. The MD explained how these adverse activities "were taking the plant backward when all of us sincerely wanted to move forward." Suggestions for improvement of practices were always sought. Non-executive employees would make these presentations to motivate them as well as earn more receptivity of the employees. Workshops for sharing concern were planned to cover the entire workforce numbering nearly 26,000 employees, with the MD always in attendance.

At each shop floor the common refrain was, "Give us a challenge and see how we perform. Give us proper input material and we will give you production...Give us spares and we will give you reliable equipment." A general consensus was developed that internal actions undertaken with cooperation and commitment was the only way to take RSP forward.

The culture of working as a boundaryless organization was a prime requirement of RSP to meet the objectives of the change programme. To bring together different departments on a common platform Internal Supplier - Customer Interface Workshops were conducted to bring about a merger of minds and commonality of concern for Total Plant Performance. The Chief Executive would always stress on "One Vision and One Goal" to guide the collective efforts. He would say, "Always think that to whatever branch you belong, Electrical, Mechanical or Operational, you are a member of one family. If there is any difference of opinion among you, then solve it by constant interaction, the way you solve problems in your families." Priorities of the Plant were to be addressed not by compartmentalized groups but by cohesive teams sharing the vision of the Plant as a whole.

Issue focused Participative Workshops facilitated joint problem solving through case studies of 'maloperations' in various departments. Diagnostic workshops identified root causes of incidents, discussing remedies and empowering people to implement changes.

"My ultimate aim was to create an ambience that would generate an urge among the employees to work together and realize the pleasure of working together for a common purpose. The aim was to bring closeness among the employees by reducing the distance between their minds," stated the MD.
General Managers' Communication Meetings were also commenced in 2002-03 on a weekly basis to allow interaction between heads of departments and cross section of employees. Employees were allowed to express their views freely and views/suggestions about improvement of Plant would be elicited.

Enforcing discipline was also necessary to set right things at the Plant. "The background or level ceased to matter in cases of breach of discipline and several executives and non-executives were proceeded against to set examples of our seriousness to set things right." Pulling up an employee for shirking responsibility and passing it on to his superiors, the MD conveyed that he did not see any difference between executives and non-executives and that everyone was responsible for the job assigned to them. As the turnaround progressed, the understanding between workers and management had reached such a level that strict disciplinary action for non-performance or corruption related issues was being welcomed by all, perhaps for the first time in the plant's history.

4.5.3. Mass Contact Exercise

Interactive workshops were initiated in April 2002, with a periodicity of two workshops a week and subsequently once a week on a fixed day. "In the first year we took up issues that were vital for the Survival and Future of RSP," stated the MD. Aimed at synergizing people toward taking up stretched goals through a collective resolve, interactions were across all hierarchical levels with the MD in attendance. The MD also held interactions with managers at different levels. Middle managers were reminded that they had an important role to play in managing resources. Priorities of the MD were continuously reinforced. Mass Contact exercises would be held twice a week where soul searching questions about the employees' accountability towards the organization would be posed. Responses elicited from employees were channelized to draw commitment from them towards the survival and future of RSP. Over 60 such workshops covering 7000 employees were conducted in 10 months. These messages were then carried forward to the shop floor grass roots level in further communication/commitment sharing exercises that covered 11800 employees. A unique feature of the mass contact exercises was the reaffirmation of collective commitment through a formal pledge, adopted on the suggestion of employees themselves. The pledge is, "We the employees of RSP commit ourselves to work together like the members of a family for the survival and
future of our Plant and for its growth and prosperity. The programme goes beyond communication and evokes commitment as the employees repeat their honest intent.

According to Chatterjee, who audited the mass contact exercise, "leadership is nothing but relationships. A relationship is formed when the distance between hearts and minds are bridged by a shared purpose. The mass contact exercise was part of corporate bonding of several thousand employees that has helped shape the destiny of one of India's major steel plants." Citing a supervisor, Chatterjee relates how cost consciousness pervaded the plant. "For instance, today if a workman cuts a bolt with a gas cutter and throws it away, he knows that the plant loses Rs. 400 because of his action. He thus carefully keeps the bolt intact and saves some money for his plant."

Performance Improvements Workshops were also initiated since September 2001 to gear up individual departments, instill team working and productive practices that would help achieve the growth plan of RSP. Interfacing of employees including those from support services who were connected to issues helped develop collective problem solving approaches resulting in higher level of ownership of tasks and targets.

The humane and interactive approach of the Chief Executive facilitated a free flow of information, increased awareness and enhanced commitment amongst the employees. It also created an ambience of trust and togetherness. The technique of involving the employees in each and every stage of the turnaround process worked wonders as inertia, lethargy, mistrust and pessimism gave way to dynamism, trust, transparency and confidence. A high degree of people involvement was generated through various HR interventions leading to concrete physical output by employees.

4.5.4. Mission of RSP

Following the extensive mass contact exercises for "The Survival and Future of RSP" wherein employees expressed commitment to work for the future of the steel plant, a mission statement was formulated.
"The future of our steel plant lies entirely in our own hands, that is, in the hands of nearly 24,000 employees of RSP. If the steel plant does not have a future, then none of us here including our family members have a future either. We therefore have to work together like the members of one family – the RSP family – to take the steel plant forward," exhorted the MD. This led to creation of the mission statement as under:

"The future of our steel plant lies in our own hands. It is our individual and collective responsibility to rebuild our Plant into a profitable, harmonious and vibrant organization. We will do whatever things are necessary which are good for our Plant. We shall never do anything that hurts our plant."

4.5.5. Bringing Closeness of Minds

These multifarious interactions enabled a process of significantly reducing the distance between minds; nurturing a sense of ownership of the Plant; focusing all discussions on common goals; solving shop floor problems by working together and innovating continuously. People now “flocked together in closeness” as one working community with no distinction between executives and non-executives, and all working together with the consciousness that their destinies are inter-linked together with the destiny of the plant and the well being of their families. This became evident when employees would express concern for any adverse event in the work-life of the plant with the same anxiety that one would show for setbacks to own family’s interest. “What had been achieved was a reduction in the distance between the minds of people and a spirit of working to help each other in their respective departments which made the initial results possible. Employees began to see themselves as members of a family on a single platform with a common purpose.” “This turnaround was based on the transformation of the relationships amongst employees.”

“When somebody in the Plant falls sick, the information is flashed on the notice-board so that his colleagues can visit him at home,’ said a shift in charge.”

Chatterjee describes the MD as “a rare CEO who combines reflection with action. In the mass contact exercise, the MD passionately asks, ‘How do we bridge
the distance between minds?’ and then answers the question himself, ‘Through participative interaction.’ In an organization what creates distance between minds are tags, titles and designations. In this plant there was a clear divide between executives and non-executives. With the current MD, the emphasis shifted away from designation to responsibility.”

4.5.6. Results of RSP 2001-2002

Results of Financial Year 2001-02 were encouraging with RSP achieving growth rates of 5%, 7.4% and 4.6% in the production of Hot Metal, Crude Steel and Saleable Steel respectively. The highest growth of 14% in comparison to the previous fiscal was achieved in sales of RSP’s products. Performance had shot forth from the “surgical change programme” Apart from the physical results, the programme of change interventions yielded far reaching intangible benefits. Individual employees were spontaneous in expressing a sense of ownership and total identification with the objectives of the Plant. A case in point is the pledge taken by the Coke Oven collective on New Years Day, 2002 – “We the members of the Coke Ovens family do hereby pledge that we shall treat the Plant as our own and maintain personal and technological discipline through our untiring efforts, bring continual improvement in production, productivity and quality of our products.”

The impact of the Change Programme was felt throughout the entire organization and “manifested in several ways such as rejuvenation of the general morale of the collective and increasing optimism; rekindling of collective conscience to think positively and improve performance; conspicuous improvements in system and adherence to rules; demolition of barriers between functions and hierarchical levels which had been hampering team working in the past; readiness among people to collaborate; strengthening of leadership and increasing empowerment; and awakening of a collective conscience to always think, speak and act for the good of the Company on which the welfare of the Plant, Family and Society solely depended.” A sense of accomplishment proved to be the greatest motivating factor of all.

The MD observed, “The initial response to the mass contact program was lukewarm because people were skeptical. But the momentum started building slowly as the word spread that we were serious getting to know them and their problems,
and that our intentions were to find a solution together. It was around the beginning of 2002 that people started subscribing to my outlook. The mass contact programme has brought transparency at all levels, especially about the management's intentions. People are seeing that our approach is honest and consistently so. In fact consistency has been the main platform of the campaign. We started giving incentives for good performance and are maintaining that practice. Today, no one in RSP can use the word 'bargain'. If something is not going to contribute to Plant welfare, its proposal will not be entertained. Suggestions for productivity are encouraged. Indiscipline is not tolerated and a no work, no pay system has been put in place. The resistance of employees to work hard was now significantly less. They had tasted success and felt a sense of accomplishment. This led to higher targets in 2002-03 and 2003-04.

Building upon the remarkable surge in people's response to the Change Programme, the MD set forth a target of achieving 25% growth during 2002-03, above the record breaking performance of 2001-02. The mass contact exercises on Survival and Future of RSP continued to be organized in various shift timings. The MD would repeatedly assert, "There is always an excitement in working together as members of a team. Let us all work together and feel that excitement of togetherness. Let us make the next financial year an exciting year."

4.5.7. Strategy Implementation during 2002-2003

The first year generated a newfound confidence amongst employees who saw in themselves the ability to fight odds and come out on top. The MD said, "If we want RSP to move forward, we all have to work harder than what we have been doing...(which will be) difficult and inconvenient...but I can assure you... of a sense of accomplishment." To sustain the momentum and encouraged by the performance of 2001-02, the strategy was three pronged - maximize production; cut down costs and minimize waste and retain market share through improved quality.

By June 2002, "the momentum of change was visible but the pace of change had to further accelerate for keeping pace with the magnitude of priorities......In organizations undergoing a turnaround, the leader managers should have the courage to dream big and strive to influence the way people think and work and
make them think alike. They should challenge established paradigms, break new grounds and make fundamental differences in the ways that an Organization is run. They should make a change in people's lives...bringing closeness is the supreme test of corporate success 

Inaugurating a meeting of the Chiefs of Communication of the different steel plants of SAIL in December 2002, the MD stated, "One of the prime objectives of communication is to reduce the distance between minds and at RSP, we succeeded in achieving this." He elaborated on how through the communication exercises, the concept of reacting to the environment had been changed to influencing the environment.

In frequent interactions with employees, the MD constantly reiterated the main obstacles to RSP's progress which were the high interest burden, poor performance in techno-economic parameters, low quality of maintenance of equipment, frequent breakdowns that led to low production, equipment failures, accidents and fires. He emphasized that only these incidents separated RSP from success. He assured the employees that once these were taken out of the way, no one could stop RSP's march forward. For this to happen, it was essential that all employees work together like the members of one family and help each other. One of the simplest and most powerful messages was "Remember, our future and the future of our family members depends fully on the future of the RSP. If RSP does not have a future, then none of us sitting here nor our family members have any future either." The MD sat through each of these sessions and listened intently. He canalized the suggestions of employees to the Plant's requirement of achieving profitability. A climate of trust and togetherness prevailed which was essential for energizing the organization. Grievances turned into suggestions, blaming turned into introspection and there was an eagerness amongst employees to perform better. An employee stated, "I will always remain indebted to RSP for my livelihood, for providing me bread and butter and for helping me raise my children."

Under the influence of the Family metaphor, how was reduction in manpower achieved? The Director of Manpower Planning explained that when he went to the Plants to explain the VRS, the first reaction of some employees used to be a questioning that if it was so good why he himself was not taking it? He said that
within a family sharing was done and when family is hungry, the food is rationed just as Leave Travel and bonuses were curtailed and other benefits were cut. The aim was not to sever relations with employees going away on VRS but someone has to leave in order that the family may survive. Besides, the product of VRS was not bad at all. Till their final departure from the Company VRS optees were treated as members of the family. According to him the success of VRS was due to its proper timing and the product was worthy enough.

At the end of the fiscal 2002-2003, the Plant had achieved 100% capacity utilization and returned to the level of earning cash profit after a gap of seven years.

4.5.8. Comments of the President, RSP Executives Association

The President, RSP Executives Association in conversation with SAIL News in January 2003 stated, “At RSP, we are definitely seeing a change in mindset. There is transparency in the top management. The mass communication exercise has dispelled many distorted views in the minds of the employees which had bred as a result of lack of information earlier. People now know the priorities – survive or perish....Despite the massive cash crunch, the Company has given its employees a salary revision. It is now time for us to reciprocate. It is upon us to take RSP out of the red permanently.”

4.5.9. Comments of the Union Leader

The General Secretary, Rourkela Shramik Sangh, RSP’s recognized trade union expressed his views to SAIL News in Jan 2003. “We will have to go in for a new work culture for the prosperity of the Plant. I have been advocating this to the workers and even in joint forums. My slogan is ‘Own to Earn’....I tell the workers to work together, channelise time and energy and utilize skills and talents to make the Company prosperous so that all can share the prosperity. In the global market economy, we cannot survive without increasing production and productivity. The time has come to translate the concept of steel family into reality. Executives and employees should have the relationship of brothers. Both should consider the plant as their bread earning home. If this can be developed, SAIL will become one of the best steel producers in the world. We have been working together with RSP’s new
MD. We have started jointly addressing meetings and workshops. This has evolved a true working spirit which is reflected in the increased levels of production. RSP is aiming for operational profit. This is of no use. We should aim for net profit. We must exploit the talent and skill of our human resources to reach optimum levels of performance. Our ultimate objective is to stand on our own two feet by generating our own resources. Dependence on Corporate Office should end. Our Union has been educating workers that our survival depends on higher production and productivity. There also has to be consistency in production. For this, better communication with workers is necessary. Proper timely communication is the essence of survival today.

4.5.10. **Strategy Implementation during 2003-04**

From the commencement of the financial year 2003-04, the theme of *Survival and Future of RSP* was changed to *Profitability and Prosperity of RSP*. "This was truly a new way of looking at the success of the Plant. It meant that while every effort would be made to improve the profitability of the steel Plant, prosperity accruing from this profitability would be shared with the employees and also with the stakeholders. According to the Chairman of SAIL, the communication theme changed from *Survival to Growth* (6). The Mass Contact Exercises continued. The MD would highlight issues critical to the prosperity of the Plant. "My opening remarks now focused on *Safety and bringing down Cost of Production.* The emphasis was on the value of human life without which profitability would mean little." This was followed by presentations. The first focused on the specific events, incidents and reasons which stood in the way of achieving targets. Some employees felt ashamed at not achieving their targets. The second highlighted monetary losses suffered by the Plant due to specific events. A direct link between prosperity of the Plant and employee prosperity was established. The third presentation would focus on performance during the previous fiscal and the strategies and growth plans for the ensuing year. Following this, target for various departments would be delineated. In the weekly mass contact interactions too there was a remarkable shift in the quality, tone and nature of the deliberations. A perceptible upliftment was noticed in the aspirations of employees to move beyond consolidation to achieving peaks in performance. "The employees had now begun to work in the Plant like the members of a family- the RSP family, which was a good sign for the Plant."
The programme was to continue through 2003-04 at the end of which RSP was to be transformed into a Profitable, Harmonious and Vibrant Organization. "...the people of RSP understand individually and collectively, that the journey of transformation has no stop-over until the destination of Turnaround is reached."

The MD would refer to a day when there was a breakdown, work stoppage or accident as a Black Day. "Let us make every effort to make every day a Good Day and eliminate the Bad Days completely," the MD would say repeatedly. Stressing on safety aspects, the MD said, "We must value human life – our on and of those who work with us." Also equipment health was a concern; "We have to respect equipment health and maintain it to the highest standard."

At the end of each session, the employees would reinforce their commitment by taking a pledge, "We the employees of RSP commit ourselves to work together like the members of a family for the survival and future of our Plant, and for its Growth and Prosperity and will not do anything that hurts the Plant." By December 2003, the Chief Executive had interacted with nearly 34,000 participants in 95 Mass Contact exercises that covered the entire employee population more than once. At the departmental level, workers would themselves come forward to present their action plans. Presentations were made comparing RSP's performance with other steel plants in order to benchmark. The linkage between Plant's performance and the earning potential of employees was shown to put across the message that employees prosper when the Plant performs.

"Communication is one of the most powerful tools for reducing the distance between minds, and for leveraging change. In the New Age, a communication based on hard facts, neatly drawn strategies and clear targets will be far more effective than one that relies on abstract concepts laced with jargon. The MD unleashed a set of communication initiatives that became the basic thrust of bringing about change. These were: Sharing the Company's priorities and making employees commit to carry out what is expected of them; listening to employees; facilitating a free flow of information; focusing upon training and HRD to fulfill competency needs; trusting in abilities of people; encouraging transparency; seeking ideas and suggestions through feedback and following up on them."
The communication efforts led to a collective reorientation of the entire organization and set up a new work culture.

4.5.11. The Concept of 'Samskar'

On April 10, 2003, the MD introduced the concept of 'Samskar' which emphasized the underlying philosophy behind the HR interventions. "We have to create and sustain a peaceful work environment where every employee can contribute to the plant in assigned area of work, with full freedom and dignity, and without fear." The MD elaborated, "This very quickly, almost by default became the Vision statement of RSP. My main purpose of doing all this was to engage the attention of more than 24,000 employees for actions that would take RSP forward. It helped in 'Bringing Closeness' by reducing the distance between minds of employees and bringing them on a common platform with a common objective of taking Rourkela Steel Plant forward." This created an ambience in the works area that provides employees the things that they value most as human beings. The concept aimed at revolutionizing and motivating the minds of employees to break the shackles of apprehensions of all sorts that generally hamper performance and progress of the Plant. Communication under this concept focused on encouraging reforms in ways of thinking, behavior and actions. Leadership practice was to be enabled at all levels. "Every person in his own area has to be a leader. We try and send this message to every employee that you are an important person - you have an important role to play. So leadership gets shared and reinforced at every level, says a senior executive."

Emphasizing on the power of the mind, the MD called it a metaphysical powerhouse that included the powers of communication, relationships and intrinsic abilities. The MD aimed to nurture leaders who would provide the long term strength to the organization in order to fight the vagaries of the environment successfully. These are some of the statements of the MD: "We should never have fear when we are doing the right things. Conciliation is alright but not compromise. We should be candid in sharing information with the employees regarding the losses that the Plant suffers...The truth has to be understood by all." "The ideal situation for the Plant or
the true index of its progress would be when children tell their friends with pride that their father or mother works for RSP." Important leadership roles that were needed for the Plant, according to the MD were creation and sustaining a peaceful work environment, empowering people, attaching highest value to human life, teaching and guiding people to treat the equipment with care and maintaining them to full potential, and convincing people to work together as one family.

“As a matter of fact, SAMSKAR is essentially a leadership focus area. For sustained improvements, it was essential to establish leadership at every level in the organization,” declared the MD. Leadership Practice Training was conducted in five modules for non executive shift –in – charges to the level of Executive Directors. Emphasis was on safety, empowerment, preventive maintenance and family atmosphere in the workplace.

According to the MD, “I had to keep up the pressure and had no hesitation in telling people that we were still far from our potential........I called upon employees to understand the choice was either to work hard and survive or perish.....I impressed upon people that if we do not respect RSP and work for its survival and future then it will not be in a position to support us anymore....most importantly ,I told employees that it was clearly up to us as to what our future is going to be.”

The MD explained that “The process of change that was evolving at RSP was one that focused on the supremacy of RSP. During the Mass Contact Exercise, it was made clear that we are sitting together to discuss the future of RSP which in reality was the future of the employees and their family members. Responding to a workman who had justified work stoppage orchestrated by some unruly contract labourers and spoke with disrespect about the dreams and aspirations of RSP, I had spontaneously said, ‘People like you who do not want to work for the future of RSP are not wanted here and you can go’.”

Several reforms were undertaken which were mostly employee driven. A Direct Reporting System replaced the token issue system at the Time Office by letting employees report to Shift-in-Charge directly. The employees feel a sense of dignity as they are identified by name rather than being just a token number. Gate
Control mechanisms have been streamlined to improve punctuality and attendance at work. Shift change delays were arrested. Departmental Consultative Communities were introduced consisting of a broad spectrum of employees cutting across Union affiliations to work on improvements within the Plant. Safety aspects of employees were accorded highest priority.

4.5.12. Redeployment of Employees

Redeployment of employees consistent with their skills and experience to enhance productive utilization of HR was suggested by the employees. There were areas where there was not enough job and the employees felt demoralized as they not only did not have any scope to use their skills but also were deprived of the earnings that achievement of targets could bring for them. Redeployment was done from units which were divested and units which had to scale down operations. There was willing acceptance of the redeployment. The redeployment of workers was purely to meet work needs and not to satisfy pressure groups or personal preferences.

4.5.13. Transformation of the City of Rourkela

As RSP was progressing steadily on the path of Profitability and Prosperity after completing a dramatic turnaround and moving into the net profit mode from January 2004, it stood committed to spreading prosperity to the employees, their family members and also to all those who depended on the steel plant for their livelihood. "... the theme 'Towards Profitability and Prosperity' was a carefully chosen one. It represents RSP's commitment to a larger cause...the Plant's Corporate Social Responsibility," stated the MD.

The movement of SAMSKAR initiated by the MD internally to drive change was stretched to the immediate external environment of the plant. "The SAMSKAR movement was transported beyond the gates of the steel plant to the steel township, as an acceptance of a new challenge, that of Corporate Social Responsibility. The word SAMSKAR borrowed from the ancient Vedas basically meant "reforms" and aimed at creating and sustaining a peaceful work environment where every employee can contribute to the plant in assigned area of work, with full freedom and
dignity and without fear. SAMSKAR now embraced all the activities that improve the quality of life of the residents of the steel township. The steel city had been called a dying city some years back and was now a vibrant city. Implementation of many new goals led to a renaissance in the steel city. Roads and buildings in disrepair were now well maintained. Life in the steel city now had a balance of culture, sports and several other activities that provided a variety to life and living. Cleanliness and Greenery drives were undertaken.

Representing the new spirit of the steel township were several monuments erected by the workers of RSP. These beautiful and aesthetically laid out monuments expressed the collective spirit of the employees to be innovative and the desire to achieve higher levels of excellence. At the entrance to the steel township, christened as RSP Chowk, is a steel monument symbolizing the steel men and women working together in the production process to take RSP forward. A spherical monument labeled Steel for Harmony is dedicated to the residents of Rourkela who stood by the steel plant during the days of struggle and represents the harmony among the citizens, their love for and pride in RSP. Bringing Closeness is a structure that depicts the turnaround story driven by the concept of bringing closeness amongst employees by reducing the distance between their minds for taking RSP forward on the path of profitability and prosperity.

Steel for Safety is another monument symbolizing RSP’s concern for safety for its employees and the residents of the steel city. Steel for Health monument stands in the lawns of the Company hospital and depicts a ring of well being symbolizing RSP’s commitment to the health and quality of life of all employees and citizens of the township. Guru Shishya is a monument installed in the premises of the school run by RSP epitomizing the bond between teachers and students in the Company run schools. Water for Life installed in the Town Water Supply Department conveys the steel plant’s commitment to conserve this vital natural resource.

Spread throughout the steel city these monuments not only add to the majestic beauty of the township but also signify the hopes and aspirations of the RSP collective and its commitment to survival and prosperity of the plant.
Among other initiatives was the revival of the RSP TV network that helped in internal communication as well as reaching out to the steel township. Programmes featuring events in the plant are telecast daily to keep all abreast of the Company’s activities and also entertain them.

The Company’s commitment to spread prosperity in and around Rourkela, as a Social Responsibility initiative, led it to set up an Institute for Peripheral Development for developing all peripheral villages in vicinity of Rourkela. The basic aim of the institute is to impart training to the people of peripheral villages towards building their capacity for sustainable livelihood and income generation. Like most industrial towns, Rourkela’s periphery too is a zone of marginalized poor people. Hence, the main thrust area for development is on improving human capital along with infrastructure. "We cannot have Rourkela Steel City as an island of prosperity, this prosperity has to spread to the community neighbors," stated the MD. A document called “Shankha Dhwani” was created following a study of development opportunities in the peripheral region. “It is a blue print to continue thrust on enhancing the quality of life in the region and infusing a sense of pride in the minds of the community regarding their proximity to industry. It aimed at ushering in growth and development in the whole region.

The MD in his speeches to the public would harp on the theme that RSP provided its employees and the community at large the source of their livelihood. "If we do not give the steel Plant the respect it deserves, it will not be in a position to continue to provide the same in the days to come.....RSP cannot develop in isolation and we are committed towards our community neighbors who are truly our partners in progress."

According to the MD, "Profit, after all, is only a motive. It cannot be value for which the Plant exists. I believe in sharing profits with the employees but we can derive maximum satisfaction when our prosperity spreads to the community."

The small scale industry entrepreneurs were also regarded as an important stakeholder of RSP. When RSP did badly, the order position to these firms also began to shrink and upset their economics. For their success, they need to be encouraged by their mother industries. RSP was able to build the confidence of small scale
industries in Orissa and demonstrating to them the potential that they can aspire to achieve.

4.5.14. Reviewing Progress at RSP

By January 2004, “the clouds of despair, insecurity and pessimism have started receding and the warm sunshine of hope, confidence and optimism is pervading every corner of RSP9.” The top driven initiative brought about a radical reform....that of liberating the mindset of the employees from a sense of despair about the future of the Plant and then enthuse them to build a profitable, harmonious and vibrant organization.

RSP ended the fiscal 2003-04 in the net profit mode. The performance in major areas continued its growth momentum and the Plant achieved record profits in 2004-05. Many of the production units were operating at more than 100% capacity utilization. The steel plant which had entered the net profit mode from January 2004 ended the financial year 2005 with a net profit of Rs.1045 crores, which was the highest in this Plant’s history8.

Reviewing the progress made so far, the MD, in January 2005, stated that the SAMSKRAR movement has had a phenomenal impact on the organization by reducing the distance between the minds of employees and bringing them closer together to work synergistically for the future of RSP3. The results have been spectacular...(all) appreciate the determined steps that have been taken, the distance that has been covered....while acknowledging the fact that there are still miles to go. .. everyone is committed to traverse those miles into the future3. The RSP of today is a living organization where performance, innovation, creativity and social responsibility go hand in hand.

SAIL News referred to RSP entering the profit mode as “the jinx has broken... after six years of loss making. RSP is revving up to emerge as the new super star in the steel arena. Energized and empowered, the employees have forsaken the troubled past to fabricate a fascinating future. Riding on the wings of success, it has now prepared a blue print to bolster its business ....The pride of the people had been restored..... ‘Sir, plant hai to hum hain’ (We exist because the Plant exists) remarked a taxi driver8. The MD declared, “We have come a long way but we cannot afford to
relax. The real challenge is to secure the future of RSP. RSP has crossed several milestones...The biggest strength is that the employees believe that they are members of a single family - the RSP family....the decision to interact directly with employees has helped us in a big way.....Today the employees look their own future in the plant's future.... We explain our slogan 'Profitability and Prosperity'. Profitability of Plant leads to prosperity of the employees. The employees are now able to see how they are sharing in the Plant's profitability. The plant will continue its journey as a profitable and prosperous plant ⁹.

"Initially the emphasis was on setting the basics right.....One cannot grow strong trees in poor soil. We have till now ploughed the field with tractors. We are now sowing the seeds, will then water the saplings and finally pluck the flowers and fruits ⁹," the MD reasoned.

According to the erstwhile DGM i/c (OBBP), "The basic turnaround has been in the mindset of the people......The supporting services also appear to be perfectly synchronized with the rhythms of the production units ⁹."

SAIL news commented, "For Rourkela, the clock has come full circle. From being a monument and temple of modern India, as labeled by Pandit Nehru (India's first Prime Minister), the major enterprise passed through rough weather. But with sheer dexterity of a committed workforce steered by the dynamic leadership of the determined Managing Director, the unit has bounced back to the fore and the future is pregnant with great promises ⁹."

An important aspect of the performance was the restoration of confidence, their ability to break away from the shackles of fear and low performance and a belief that there is no limit to their abilities once people start working together like the members of a family ⁹.

Explaining how RSP managed to increase profitability, the MD said, "In my discussions with employees, my main focus was to bring about 'profit related performance'. The essence of this philosophy was to enable employees to assess each physical action and the ensuing result and then understand whether the same had generated net addition to revenue or cost....We reduced maintenance costs and
improved operational efficiencies....This was possible because employees began to believe that the answer to each problem was within the department or group and began to work together like the members of a family to solve them. As of now, the employees themselves are demanding higher levels of performance which has generated an in-built pressure to work towards uninterrupted production.

Talking of his achievements as MD, RSP, the MD stated, “My biggest achievement has been in building a bond with the employees. Second, is the higher degree of ownership by employees that has come about. They empathize, relate to the plant. There is total commitment. Then the sense of discipline, both personal and technical has become part of the culture. Also, the extremely good teamwork that is prevalent there now. Executives and non-executives now work shoulder to shoulder. Classifications don’t exist in the mind anymore – everyone is an employee. Lastly, increasing volume of production and improving the general health of plant machinery through internal actions.”

According to the MD, the RSP story is “that of a well conceived and carefully crafted ‘change programme’ of sustainable nature. In a sense, it is an experiment with far reaching consequences. It is an experiment because it required courage, conviction and confidence on our part that needed to be carried out for the very survival and revival of the Plant and of the steel city.”

Says Chatterjee, “The RSP story is about bridging the distance between hearts and minds. It is about creating a high trust and high-touch human system that propels a mammoth organization into a spiral of growth and transformation.

In his DO letter No. 1654/D dated 18 July 2005, addressed to the Chairman, SAIL, the Addl. DG of Police, West Bengal, Shri NR Das, I.P.S. wrote, “I have only admiration and respect for the amazing transformation he (the MD) has brought about in a plant known for its labor militancy and poor work culture for several years. I learnt that the mighty and the dreaded Union leader of RSP whose arsenal of work stoppage and intimidation had placed the top management of RSP on tenterhooks most of the times has faded into insignificance if not oblivion with a novel weekly programme of direct interaction between the MD and the workers.....In gist, I can
say that a virtual revolution has been heralded into the management culture of RSP after several decades."

### 4.6. Case of Bhilai Steel Plant

"At Bhilai Steel Plant, the word *turnaround* did not really apply, there have been only improvements in processes; we were not challenged with *survival issues*" according to the officiating Managing Director. This was because Bhilai was never in the red and had continuously made profits. It has won the Prime Minister’s trophy for the Best Performing Integrated Steel Plant five times. It had a “collaborative work culture with deeply embedded bilateralism and three decades of uninterrupted industrial peace” 21. It was the best amongst SAIL Plants in terms of energy consumption, productivity, safety and cost of production. “Our communication theme has always been to motivate employees to increase production and *break their own records* year after year. BSP has won the Prime Ministers Trophy for excellent performance a number of times,” explained the AGM, Human Resources. (Growth)

It had conducted a large corporate communication exercise called – CROP- Creating Responsive Organization through People. Under this 797 workshops were held in 52 days and 100% Works and Mines employees were covered. These workshops were aimed at enhancing effectiveness at the workplace. The Plant strived to “maintain productive industrial relations through assertive but responsive management. Firmness was the guiding principle and a principled stand on issues was taken while enforcing discipline amongst the employees 21”. Vacancies created through VRS were frozen; job rotation was introduced to develop multiple skills in employees and a retraining pool was also created to fit employees into new roles. The Union had agreed to these changes and restructuring was accepted by the Union in a memorandum of settlement. Redeployment of manpower was also done wherever possible. Retraining and Multi-skill training were to be the *primary vehicles* to restructure manpower 21. For example, in the Plate Mill 52 designations were merged into 11 generic designations. In Oct 2001, Bhilai Steel suggestion scheme was launched. It was termed as a “Turning Point” as there was a clear emphasis on quality suggestions pertaining to work areas and evaluation by a multi-disciplinary committee. Counseling of chronic absentees as well as retiring employees was done. The Grievance redressal measures included internal customer satisfaction
interactions; feedback mechanisms and comprehensive employee communication platforms. The objective was to resolve the grievances at the lowest possible level.

Effective communication channels and platforms were developed to include Personnel Wall Paper (bilingual –Chattisgarhi and Hindi); electronic display board at the gates; websites; intranet; information kiosks for employees; opinion polls; and strengthening of shop floor communication forums.

The officiating MD speaking about the role of the Union stated that the Bhilai case was a good one to dispel the myth that Union was necessary. Direct communication between the management and employees is essential. "Today, there are zero grievances in our grievance mechanism. Our performance in every aspect has taken a leap once Union became redundant. Unions did not particularly help in restructuring."

VRS at Bhilai had been executed in phases over the years in a smooth manner. The details are as under:

<table>
<thead>
<tr>
<th>Schemes</th>
<th>VR Allowed</th>
<th>Total</th>
</tr>
</thead>
</table>

Employee numbers had been progressively reducing over the years and in the fifth phase commencing 2001 and onwards to 2006, the manpower strength was as follows:

- 01 April 2002 – 41,919
- 01 April 2003 – 39,070
- 01 April 2004 – 37,585
  Phase V reductions | 4010
- 01 April 2005 – 36,166
- 01 April 2006 – 35,633
Its turnover during these years was as under:

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>Rs. 5429 crores</td>
</tr>
<tr>
<td>2002-03</td>
<td>Rs. 6503 crores</td>
</tr>
<tr>
<td>2003-04</td>
<td>Rs. 8850 crores</td>
</tr>
<tr>
<td>2004-05</td>
<td>Rs. 11,389 crores</td>
</tr>
<tr>
<td>2005-06</td>
<td>Rs. 7949 crores (first half of fiscal).</td>
</tr>
</tbody>
</table>

Lessons were drawn by the management from the VRS schemes. It was observed that while organizational focus was on non works areas but individual applications were more from Works.

VRS optees were more in the higher age bracket implying that VRS was looked upon as a retirement opportunity whereas organizationally VRS was looked upon as improving age-skill mix. However, VR was not significantly affecting organizational structure. VR was successful in improving qualification mix as over 60% applicants were below Matriculation.

Communication, counseling and persuasion were effective in creating an environment conducive to VR. Streamlined procedures for processing VR applications and prompt disbursal of benefits had helped promote VR.

Disturbing comfort zone of target groups has given limited results in terms of VR, but has helped improve employee performance and discipline.

The implementation of VRS 2004-05 was communicated by distributing widely, circulars issued in English and Hindi. Online processing of VR applications was done and VRS benefits package was loaded on LAN. Personnel offices explained the schemes to computer illiterates. Shop floor communication, counseling and persuasion were started. Frequency of monitoring of absentees and latecomers was increased.

In the fiscal year ending March 31, 2006, Bhilai Steel Plant made history by surpassing the 5 million tonne mark in cumulative production of hot metal in one year.
As per SAIL Corporate Plan 2012 (*Future Roadmap*) Bhilai Steel Plant is to increase its production capacity to 7 Million Tonnes of hot metal by 2012. The Joint Secretary, Ministry of Steel in his visit to Bhilai in April 2006 was impressed by the pride that employees take in their Plant and the team spirit that they possess. He referred to the plant as the "modern temple of India as envisioned by Pandit JL Nehru" (India’s first PM).

4.7. Research Reports on the Downsizing Process

Sinha et al. in 2003 published a collection of essays written by the managers of SAIL on the theme of re-energising enterprises through HRD. The essays reflect the management approach adopted by SAIL during restructuring. Manas Shukla, Senior Manager (HRD), Bhilai Steel Plant, SAIL, was also a contributor and was interviewed by this researcher. His views on the restructuring and downsizing process were illuminating. He criticized the secondary importance given to HR inputs when business decisions are taken only by the "inner circle", allowing HR function only to "tag along", resulting in implementation efforts often "hitting the wall". According to him, "The specter of re-engineering and restructuring is leaving organizations gasping. With too much focus on quick gratification of shareholders, business decisions are sometimes taken without sensitivity to the process. The situation does call for radical decisions in the wake of globalization but unfortunately has been translated into action in a ruthless and lacerative manner by most organizations. Never before has the role of HR been as relevant as of now when businesses are reeling under the weight of trained, talented and experienced human resource that must be put to pasture. Although downsizing or rightsizing of human resources is just one of the elements of the strategy for revamping businesses, it is at the greatest risk of being done crudely and with accompaniment of needless levels of pain. However well bandaged the incision is, it almost always results in trauma of uncertainty for the affected individual. It also creates a wave of dissatisfaction and fear in the minds of employees who have survived the axe. HRD initiatives are now being called upon to focus on the emergent 'day after' and facilitate these 'surgical decisions'. The classical definition of HRD defines only a part of what this function is now being called upon to do. This is an unfamiliar expectation for HRD professional of yester-years who have taken up several roles but never that of pre or post
operative physiotherapist or psychotherapist. HRD is being nudged out of the cocoon to center stage and to shed itself of the image of a 'nice to have' appendage in the organizational body."

AV Sridhar, erstwhile Joint Director, Management Training Institute, SAIL, Ranchi stated, "Transformation of an organization is like re-energizing it. Such a process is associated with pain and stress. Turbulence and chaos always precede a transformation. The role of HRD is paramount and can be compared with calm within a storm. The greatest contribution HRD can and should make is to develop a positive mental attitude among the employees by constant communication that bad days are behind and better days are ahead.""

BK Mishra, erstwhile Senior Deputy Director, Central Power Training Institute, SAIL, Rourkela, felt that "organizational survival depends on being active, swift, responsive and alert to the market conditions. Agility is the essence. Those who exhibit speed survive. What we need today is an agile HR function that innovates rapidly and immediately tailors processes and people in unprecedented ways. As a HRD manager, our job is to create an organization that constantly upgrades its capacity by building the capacity of those we employ.""

At the Plant level, the challenges and resistance to VRS was identified in 2004-05. Amongst other findings, it was found that:

(a) The buoyant position of SAIL was making employees critical of the idea of early separation.
(b) Interest rate on savings is too low and the main income source for VRS optees is not lucrative enough.
(c) Wide expectation of monthly payment scheme belied - employees feel let down.
(d) Closure of House leasing scheme - long term housing problem for many contemplating VRS.
(e) Surplus manpower no longer available in shops and Heads of departments were reluctant to recommend VR applications.
(f) Most employees in erstwhile comfort zones are prepared to work rather than face a bleak future after taking VR.
(g) Non-works, excluding medical and education, has only 15% of Plant manpower and does not provide a large enough manpower base to operate a VR scheme.

It was decided by the management that the challenge of marketing the same old scheme as something better than before should be done by keeping communication balanced without going into overdrive. The strategy to be adopted was:

(i) Balanced but extensive communication.
(ii) Purposeful counseling, both by Central Counseling cell and shop level counseling.
(iii) Stringent action against absenteeism and dereliction of duty.
(iv) Allocation of VR targets to departments; proportionately more to non-production areas.
(v) Administrative pressure building on potential VRS cases: transfer to Works/Mines, medical check ups etc.

4.8. Outcome of the Turnaround Exercise

The management of SAIL expected a reduction of around 60,000 employees through the VRS schemes over a period of five years i.e. by 2004.

The rightsizing of manpower across all plants through VRS schemes led to the following reductions by end of FY 2003-04 totaling 33,916:

<table>
<thead>
<tr>
<th>Year</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-99</td>
<td>5975</td>
</tr>
<tr>
<td>1999-00</td>
<td>13,617</td>
</tr>
<tr>
<td>2000-01</td>
<td>NIL</td>
</tr>
<tr>
<td>2001-02</td>
<td>6510</td>
</tr>
<tr>
<td>2002-03</td>
<td>5814</td>
</tr>
<tr>
<td>2003-04</td>
<td>2000</td>
</tr>
</tbody>
</table>

The reduced strength of SAIL was 1,32,000. The main reason for not achieving the target figures was that divestment of Alloy Steel Plant and Salem Steel Plant could not be achieved due to political reasons. According to the erstwhile Executive Director in charge (Personnel and Administration), another reason was that the directive from the Chairman, Mr. Arvind Pande was clearly that no injustice be
done to anybody; VRS be not imposed and to see that people are happy. It remained voluntary.

Dr. YRK Reddy, was a member of the Board of Directors of SAIL from 1998 to September 2004 and was directly involved with the survival issues in the process of change in SAIL. His views about the change process as told to SAIL News are encapsulated here:

"Comparing differences between private and public sector management approaches, he said that there are many commonalities of managerial practices at the functional level. The major difference in the management approach could be in meeting the expectations of shareholders. In private enterprises, there is unidimensional goal of increasing shareholder value. Shareholders expectations are also predictable and unvarying, In the case of public sector enterprises, management approach could be more diffused due to Government ownership and also varying with the given viewpoints/priorities of the representatives of the Government”.

Commenting on why the Public sector is dubbed 'inefficient', he said that this argument is often based on a policy preference for privatization. There is no conclusive proof in the matter. The focus should be on reform of public enterprises as they cannot be wished away. Several public sector enterprises have shown their capabilities to take on competition from global majors both in domestic and international markets.

According to Dr. Reddy, the greatest strength of the PSU management systems is the skill profile and training of managers. They helped the country catch up with industrialization and PSU management systems were the early beneficiaries of world class operating manuals, best practices and cutting edge technologies. The noticeable drawback is the insufficient exposure to competition and the attendant issues.

Talking of his experience at SAIL, Dr. Reddy commented, “we went through the traumatic phase of near sickness followed by a sharp turnaround which has been a dramatic roller coaster ride indeed. Critical factors that facilitated decision-making have been the set of committed leaders at the top; the set of devoted independent
directors and very understanding and supportive government representatives. The policy constraint was in relation to the scope available for restructuring, asset divestment/retrenchments and related strategic moves that could have improved the value of the core business even more dramatically and much sooner. The Government was supportive and understanding. There has been good amount of transparency and honesty in board processes. However, there are established limits to Boards in PSU's and these limits are more stringent than the private sector due to public policy, structures, and approaches in managing public assets.

In the post survival phase of the change process, Dr. Reddy felt that the directions and coordinates for SAIL have been well chosen and the key issues now were of sustainability and profitability. The imperative is "step on the gas" and attain greater pace and rates of growth than competition. (Journey/Growth metaphor).

Talking of corporate governance issues, Dr. Reddy declared that "There is indeed new language in the Boards, both in public and private sectors. Those companies aspiring to be global players are compelled to address the corporate governance requirements more intently and on a competitive footing. SAIL will have to prepare to meet these standards. In PSU's the operational challenges are the need for cultural change and redirecting the mindset to meet competition. However, several issues are systemic or structural to all PSU's and they need reform from the policy end".

The ex-Chairman in his interview explained to the researcher the kind of resistance offered to the proposed restructuring.

"There was opposition to the divestment of power plants too. There was major opposition by CITU. Employees are scared of privatization as they are more ruthless in downsizing. There is general mistrust of private players. In public sector, there are not many good examples of privatization. Modern Foods had a problem as well as Balco. When NTPC (a public sector enterprise) offered to take over the SAIL power plants, it was more acceptable, as there were common terms and condition of employment............Resistance was also from Salem Steel Plant which could not be divested. When VSNL was taken over by Tatas, the Unions had welcomed it, because of the reputation of Tatas as a caring employer."
“Resistance to changes was more at the hard core middle management level. There was only passive resistance. The top management was convinced. The younger management was responsive. Employees were not opposed.”

On the support of the Government, the erstwhile Chairman commented, “Earlier SAIL was most controlled by Government. When we got ‘Navratna’ status, we were given freedom and we had a good Board. There was faster decision making. I would give credit to the Government.”

Recounting the restructuring process, the erstwhile Chairman said, “There were doomsday stories in SAIL. There was lot of slack in SAIL’s systems. Tightening was needed. There was enough cushion. We could press people without twisting people too much. No matter how dry a towel appears, there is always some water in it if you wring it hard enough. Wring a seemingly dry towel and lot of water comes out of it. Identify the cushion and squeeze it was my strategy............The move of the Company from Survival to Growth objectives was because we could see some light at the end of the tunnel.”

By 2004, SAIL had shot up to top 10 rankings of Corporates earning profit after tax. “SAIL skyrocketed from 244 (ranking) to 5, and in the coming years is bound to figure in the elite company list as its dismal performance is a thing of the past 23.” However, according to AGM, Personnel and Corporate Planning,” the social objective of SAIL, although unstated, that of generating employment, was aborted.”

In conclusion, the case of SAIL is unique as it was one of the first public sector units to undertake restructuring and downsizing post economic liberalization. The main challenge was to change the existing public-sector mindset of its employees and instill qualities of a private sector enterprise where competition is the name of the game and profitability the ultimate objective. SAIL could no more rest on its oars in its journey onto a path of growth and sustainability. It was able to reduce manpower in a smooth manner as it adopted the family metaphor in dealing with both redundant and surviving employees. In the next chapter, the case of a private sector Company, Voltas will be discussed.
Annexure - A

Transcript of an Interview with the erstwhile Chairman of SAIL*

Planning for restructuring took more than a year as it was preceded by a detailed diagnosis. IDBI and McKinsey were consulted before drawing up a Business Plan and sending to the Government. We were determined that we will not let the Company go to BIFR (Board of Industrial Finance and Restructuring). We were very close to that. Scenario planning was regularly done and the emphasis was that we should remain market leaders. Scenario and rules were set by the Market and the MOU with the Government.

The main challenge was to change the mindset of a public sector enterprise to that of a commercial and competitive enterprise. The Company needed to behave like a private enterprise.

Unions did not support or oppose VRS. They understood......The lifetime pension was more acceptable to the employees. Redundant people took the VRS. Market was not good and so we did not lose many good people. We were not bothered; we were liberal in giving. VRS did need persuasion at the shop floor level.

In the year 2000, wage revision which was due since 1997 was done. Between 1997 (year due) and 2000, employees, realizing the Company's predicament, had agreed to take revised wages later. Unions did not pose resistance. Union Leaders realized that it was not the Company's fault. Bonuses had come down, wage revision was held up and LTC was stopped.

Due to direct communication between the management and the employees, the role of Unions is receding. All new steel companies have no Union. New players avoid the Union. There is increase in qualitative level of intake and lot of outsourcing is being done. Unions are not as strong as they used to be. I agree that Unions are no more a necessity.

* Mr Arvind Pande, was interviewed at his residence in Delhi on November 12, 2007 between 1430 and 1600 hours. Permission to include interview in study was obtained.
From the commencement of the financial year 2003-04, the communication theme changed from *Survival* to *Growth*. The move of the Company from Survival to Growth objectives was because we could see some *light at the end of the tunnel*. By 2004, SAIL had shot up to top 10 rankings of Corporates earning profit after tax.

Regarding the kind of resistance offered to the proposed restructuring. There was opposition to the divestment of power plants too. There was major opposition by CITU. Employees are scared of privatization as they are more ruthless in downsizing. There is general mistrust of private players. In public sector, there are not many good examples of privatization. Modern Foods had a problem as well as Balco. When NTPC (a public sector enterprise) offered to take over the power plants, it was more acceptable, as there were common terms and condition of employment..............Resistance was also from Salem Steel Plant which could not be divested. When VSNL was taken over by Tatas, the Unions had welcomed it, because of the reputation of Tatas as a caring employer.

Resistance to changes was more at the hard core middle management level. There was only passive resistance. The top management was convinced. The younger management was responsive. Employees were not opposed.

On the support of the Government, the erstwhile Chairman commented, “Earlier SAIL was most controlled by Government. When we got ‘Navratna’ status, we were given freedom and we had a good Board. There was faster decision making. I would give credit to the Government.”

Recounting the restructuring process, the erstwhile Chairman said, “There were doomsday stories in SAIL. There was *lot of slack* in SAIL’s systems. Tightening was needed. There was *enough cushion*. We could press people without twisting people too much. No matter how *dry a towel appears*, there is always some water in it if you wring it hard enough. Wring a seemingly dry towel and lot of water comes out of it. *Identify the cushion and squeeze it was my strategy.*”
REFERENCES - SAIL*

2. "Rourkela 2005 – A City Transformed."
6. Interview with the erstwhile Chairman, Mr. Arvind Pande, November 2007.
15. Letter written by Shri NR Das, IPS, Addl. DG of Police, Telecommunication, West Bengal dated 18 July 2005, addressed to Shri VS Jain, Chairman, SAIL.

* The chapter end note serial numbers above refers to the number inserted in the text in chapter four.


20. "Voluntary Retirement Scheme – SAIL Experience", Power Point Presentation prepared by Erstwhile Executive Director i/c Personnel and Administration, Mr.T. Tiwari, 23 August 2001.

21. Power Point Briefing by the MD, Bhilai Steel Plant to the Hon'ble Shri SK Mukherjee, Dy. Secretary (Grievance) Ministry of Steel, Dec 2004.


List of Key Informants at SAIL

(a) Erstwhile Chairman, Mr. Arvind Pande.
(b) Erstwhile officiating Managing Director, Bhilai Steel Plant, Mr. G Ojha.
(c) Erstwhile Managing Director, Rourkela Steel Plant, Dr. Sanak Mishra.
(d) Erstwhile General Manager (Corporate Affairs), Mr. Debjit Rath.
(e) Erstwhile Director, Corporate Communications, Mr. Shoeb Ahmed.
(f) AGM Corporate Affairs, Ms. Barnali Mitra.
(g) Manager (Personnel –Training), Ms. Vaani Kapoor.
(h) Erstwhile Executive Director i/c Personnel and Administration, Mr.T. Tiwari.
(i) AGM, Corporate Planning, Mr. Sanjay Sinha.
(j) AGM, HR Bhilai Steel Plant, Mr. Manas Shukla.
(k) GM,HR Bhilai Steel Plant, Mr. J Patel