ADMINISTRATION MANAGEMENT & DEVELOPMENT OF SAIL-A STUDY

INTRODUCTION:

Global Steel Scenario & Indian Steel Industry
Relation with external Agencies
Milestone in SAIL’s Journey to excellence.
‘Global Steel Scenario & Indian Steel Industry”

Introduction

Though evidences indicate that iron and steel have been used by men for almost 6000 years, the modern form of iron and steel industry came into being only during the 19th century. The growth and development of iron and steel industry in the world until the Second World War was comparatively slower. But the industry has grown very rapidly after the Second World War. World production of steel, which was only 28.3 million tonnes (MT) in 1900, rose to 695 MT by 1992. The oil crisis of the seventies affected the entire economy of the world including the steel industry. The position started improving after 1983 and increased at 780 MT in 1989. It started declining till 1994 (723 MT), picked up again to 755.8 in 1995. The World Steel production is around 1050 MT in 2004.

Historical Background

The antiquity of man’s use of iron attested by references to that metal both in fragmentary writing and inscriptions that survived ancient civilization of Babylon, Mexico, Egypt, China, India, Greece and Rome. However, it is believed that most of the iron used by pre-historic people might have been obtained by fragment of meteorites and it remained a rare metal for many centuries.

For many years after man learned how to extract iron from its ores, the product probably was so relatively soft and unpredictable, that bronze continued to be preferred for many tools and weapons. Eventually iron replaced the non-ferrous metal for these purposes when man learned how to master the difficult arts of smelting, forging, hardening and tempering iron.

Archeological findings in Mesopotamia and Egypt has proved that iron or steel has been in the service of mankind for nearly 6000 years. The origin of the methods used by early man for extracting iron from its ores is unknown. Some have suggested that many learned the method accidentally.

Iron, in the beginning was smelted by charcoal made from wood. Later coal was discovered as a great source of heat. Subsequently, it was converted into coke, which was found to be ideal for smelting of iron. Iron kept its dominant place for 200 or more years after the Saugas works was the first successful Iron Works in America founded in 1646. With the advance of Industrial Revolution, iron formed the rails for the newly invented railroad trains. It was also used to armour the sides of the fighting ships. About the mid-19th century the new age of steel began with the invention of Bessemer process (1856) making steel available in large quantities at reasonable cost.

Indian History

Indian history is also replete with references to the usage of iron and steel. Some of the ancient monuments like the famous iron pillar near New Delhi or the massive beams used in the Sun Temple at Konark bear ample testimony to the technological excellence of the Indian metallurgists.
The history of iron in India goes back to the ancient era. Our ancient literary sources like the Rig Veda, the Atharva Veda, the Puranas and other Epics are full of references to iron and to the uses in peace and war. According to one of the studies, iron has been produced in India for over 3000 years. In primitive, small scale facilities.

TODAY’S BUSINESS ENVIRONMENT

Global Scenario

The international business environment today is characterized by its ever-increasing complexity and dynamism. The past decade has seen many changes in the political and economic environment, impacting the whole world one-way or the other. The international steel sector has reflected these global trends.

Steel industry worldwide is in a transition. New players, new trends and new systems are emerging. Increasing use is being made of new technologies, new alliances, trade practices and other means - like moving to off-shore locations etc., for long term survival and growth.

<table>
<thead>
<tr>
<th>Year</th>
<th>Steel Production (MT)</th>
<th>Year</th>
<th>Steel Production (MT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>28.3 MT</td>
<td>1988</td>
<td>780.0 MT</td>
</tr>
<tr>
<td>1927</td>
<td>101.8 MT</td>
<td>1989</td>
<td>782.8 MT</td>
</tr>
<tr>
<td>1943</td>
<td>159.6 MT</td>
<td>1990</td>
<td>770.1 MT</td>
</tr>
<tr>
<td>1946</td>
<td>111.6 MT</td>
<td>1991</td>
<td>734.4 MT</td>
</tr>
<tr>
<td>1951</td>
<td>211.1 MT</td>
<td>1992</td>
<td>722.7 MT</td>
</tr>
<tr>
<td>1968</td>
<td>529.8 MT</td>
<td>1993</td>
<td>730.6 MT</td>
</tr>
<tr>
<td>1972</td>
<td>630.7 MT</td>
<td>1996</td>
<td>750.0 MT</td>
</tr>
<tr>
<td>1974</td>
<td>703.8 MT</td>
<td>1997</td>
<td>795.0 MT</td>
</tr>
<tr>
<td>1979</td>
<td>746.4 MT</td>
<td>1998</td>
<td>778.0 MT</td>
</tr>
<tr>
<td>1982</td>
<td>645.8 MT</td>
<td>1999</td>
<td>785.0 MT</td>
</tr>
<tr>
<td>1983</td>
<td>664.1 MT</td>
<td>2000</td>
<td>847.0 MT</td>
</tr>
<tr>
<td>1984</td>
<td>771.0 MT</td>
<td>2001</td>
<td>840.0 MT</td>
</tr>
<tr>
<td>1985</td>
<td>719.0 MT</td>
<td>2002</td>
<td>900.0 MT</td>
</tr>
<tr>
<td>1986</td>
<td>713.0 MT</td>
<td>2003</td>
<td>960.0 MT</td>
</tr>
<tr>
<td>1987</td>
<td>735.9 MT</td>
<td>2004</td>
<td>1054.0 MT</td>
</tr>
</tbody>
</table>

As regards International prices, European Union HR coil FOB prices were hovering between US$ 450-500/tonne in 1995, and the steel prices were at their peak. Thereafter, significant developments in the international market led to a steady fall in world steel prices. One of the major contributory factors was the collapse of South East Asian economies during 1997-98, dubbed as ‘The Great Asian Meltdown’ that caused excess supply of steel throughout the world. Subsequently, dotcom economy bubble burst in circa 2000, pulling US economy downwards. By 2001 the steel market was in dire straits. Demand was already weak in the US and a recession in the manufacturing and construction sectors, the key drivers for steel demand, looked inevitable. In February 2002, the US under extreme pressure from domestic steel producers threatened by huge volumes of imports, imposed tariff barriers. This was followed
by similar measures in the EU and other countries. Since then, a host of events have led to a reversal of the trend. Immediately following the imposition of tariff barriers, US domestic steel prices rose. The imposition of trade restrictions coincided with a major upturn in demand for steel products in China and sustained growth in other areas such as Eastern Europe, South East Asia and the Middle East. The situation has been far brighter since. US HR coil import prices touched a high of $580/tonne, while Western Europe HR coil export prices were also at a similar level during May 2004.

The early years of the 21st century have set the pattern for the future. Asia has increased its share of production. Although consumption of steel is likely to increase in most regions of the world in the medium term, growth in industrialized nations is likely to be much slower than the average growth in demand across the world. Developing countries and the emerging economies are likely to have the fastest rate of growth in steel demand in the future.

In the developed world, the EU is expected to experience stagnant demand in the medium term, while the NAFTA block is likely to see low positive growth in consumption. In Japan, demand for steel has steadily declined in recent years due to restrictions on Government spending in construction projects as well as weak consumer demand. A modest growth is anticipated in the manufacturing and building sectors as the economic performance improves. However, the medium term projection is for a reduction in overall steel consumption in Japan.

Amongst the developing economies, China requires special mention. China’s apparent consumption of finished steel during 1996 was 97 million tonnes, which amounted to around 15% of world finished steel consumption.

However, by the year 2002, China’s consumption figure reached a staggering 186 million tonnes, accounting for 23% of the total world finished steel consumption. China’s steel consumption is still growing at a fast pace and as per IISI estimates, the figure may reach 290 million tonnes during 2005. The rapid rise in Chinese steel consumption is attributed mainly to sterling economic growth and construction activity in the build-up for the 2008 Olympics as well as the trade exposition planned in 2010.

China imported about 29 million tonnes of steel during 2002. Indigenous crude steel production in China during the year 2003 was 220 million tonnes, higher by 21% as compared to the year 2002. In view of burgeoning demand China is augmenting its own steel making capacity. As per available information, 80 million tonnes of capacity is likely to be added to the Chinese steel industry over the next 3-5 years. China’s crude steel production capacity is expected to reach approx. 270 million tonnes by the end of 2005, and 330 million tonnes by the end of 2010. It is quite probable that after 2008, when domestic demand starts tapering off, China may become a net exporter of steel and may flood the world market with cheaper steel.

According to a preliminary medium term forecast by the IISI, finished steel consumption in the world is expected to cross a billion tonnes by 2007. However, despite the growth in consumption there are apprehensions of excess production as compared to global demand. As per the estimates by the WSD, world crude steel production, stands today more than 1 billion tonnes a year and is expected to cross 1.130 billion tonnes by 2010.

To address the issue of capacity as well as steel subsidy related issues, a series of high level meetings have been held at the OECD at which representatives from countries accounting for nearly 95% of the global steel production have participated. However, no agreement has been reached so far, and there are sharp differences between the views of member nations on the issues involved.
With the total world production exceeding demand and prevalence of market distorting practices in the global steel market, many countries have introduced protectionist measures in the form of both tariff and non-tariff barriers on steel imports. These measures, in most cases, have been (mis)used by countries as an instrument to save their domestic steel industry from the onslaught of international competition. Further, several countries are resorting to using non-tariff barriers in the form of quotas, strict quality and environmental compliance norms etc.

Another major trend being witnessed in world steel business is towards consolidation. Steel companies are growing in size through mergers and acquisitions. This trend is not only confined to companies within the same country but often involve cross border acquisitions and mergers. While these trends are on the one hand enabling synergies of operation and cost competitiveness, on the other they are opening up new markets. Arcelor, the world’s second largest steel company and conglomerate of 3 companies, produced 44 million tonnes of crude steel during 2004 accounting for about 5% of the total world crude steel production during that year. Similarly the LNM group is going from strength to strength. While the Group produced 19.2 million tonnes of crude steel in 2001, production jumped to 70 million tonnes in 2004. The Group is augmenting its steel making capacity at a rapid pace mainly through acquisitions and now has surpassed Arcelor in 2004. Similar trends are being seen in the USA where the US steel industry is going through a process of restructuring. For example, US Steel has acquired National Steel; ISG has bought most of the assets of LTV and Bethlehem Steel; Nucor has acquired Birmingham Steel as well as Trico Steel. World trade in steel exports is also increasing. Total exports of steel products (finished and semi-finished products), which used to be less than 25% in the Seventies and early Eighties, rose steadily to a figure of 40% of world production.

As the trend in the world is towards producing low cost steel by using more environmentally friendly means, steel producers worldwide are adopting new technologies like Corex and Compact Strip Casting, adopting alternate routes like EAF instead of the traditional BF-BOF route, as well as importing raw materials like coke.

The Indian Steel Sector

The structure of Indian steel industry can be briefly described as:

- Six large public sector plants and one private sector plant based on the traditional Blast Furnace-Basic Oxygen Furnace route.
- Four new steel plants set up by the private sector in the post liberalization period.
- Large number of Electric Arc Furnace / Induction Furnace units producing semi finished steel.
- Stand alone Pig Iron and Sponge Iron plants.
- Large number of rolling mills and steel processing units.

Encouraged by the buoyant steel demand, several steel companies have drawn ambitious capacity expansion plans to more than double their existing steel producing capacity. Many steel producers also are eyeing strategic acquisitions abroad to take advantage of low steel production costs, availability of abundant raw materials, or to capture markets there.
Factors Impeding the Growth of Indian Steel Sector

India is amongst the cheapest producers of hot metal in the world. The cost advantage mainly arises from the abundant availability of cheap and good quality iron ore. Besides, overall manpower cost is also low. However, these advantages are nullified to some extent due to low labour productivity, high energy & power costs and high finance charges. The expansion plans of steel majors are likely to put tremendous pressure on the availability of inputs and infrastructure resources within the country. The nation is endowed with large iron ore reserves, but their development and exploitation would require huge resources. Besides, the effects on the environment where virgin areas are being exploited needs to be addressed. Availability of coking coal is expected to remain a serious constraint. Coking coal supplies from public sector coal companies have been declining over the years, leading to higher imports. Traditional coking coal and coke suppliers such as China have also curtailed exports in order to feed their expanding iron & steel industry.

The steel industry needs to remain competitive by improving efficiency across the entire value chain in an integrated manner. Hence, logistics would be an important area of concern for the steel industry. This involves development of ports, smoother transportation to and from ports, rationalization of inland freight charges as well as better road movement facilities. During the early 90s, the Sponge Iron industry was especially promoted to provide an alternative material to steel melting scrap, which at that time was increasingly becoming scarce. Since then India has emerged as one of the largest producers of Sponge Iron (India produced 8 million tonnes of Sponge Iron during 2003-04). This provides good opportunities to steel industry as a substitute of scrap.

Considering the erratic power supply position in the country as well as high power tariffs, rising scrap prices and plentiful indigenous iron ore reserves would mean that the most suitable steel making technology for India would be the integrated route.

Outlook for the Indian Economy

After witnessing rapid strides during the years after the liberalization process was set in motion, India’s GDP grew at an average rate of 5.2% during the period 1998-99 to 2002-03. However, there was a break from the trend in 2003-04, during which the economy is estimated to have grown at more than 8%. The economy is expected to continue on a high growth path with continued macroeconomic stability.

Over the years there has been a downward trend in interest rates accompanied by moderate inflation and adequate liquidity in the economy. In April 2003, the Bank Rate was reduced to 6%, which was a 30-year low. Commercial Banks have also resorted to sub-PLR lending. With sub-PLR lending and reduction in maximum spread over PLR, lending rates have effectively come down. Infrastructure development has been a focus area for the Govt. in recent years. In the road and highway network, India is witnessing development of multiple-lane, safe and well designed inter state highways. Recently the Govt. has announced a planned outlay for the rural road and highway network development.

The Golden Quadrilateral Project, is an ambitious project that would connect the four major metros via state of the art highways. The East-West and North-South corridors would link up the remotest parts of the country. The Govt. is also planning to facilitate investments in seaports and airports in a major way.
Concessions in the form of tax rebates etc. to boost investment in the housing sector, as well as falling interest rates have made available cheap home finance loans and have given a thrust to the housing sector. A rise in depreciation rates for vehicles, excise duty reduction and low interest rates has given a major boost to the automobile sector. From a negative production growth rate of 2% during 2000-01, the automobile sector has recorded a growth of 18% during 2002-03 and 15% during 2003-04. The capital Goods sector which had shown a declining trend from the year 1998-99, came back strongly during 2002-03, growing at the rate of 10.6%. The strong growth of the capital goods sector has continued in 2003-04. Given the strong fundamentals and stability in key macro economic aggregates, the average GDP growth during the year 2004-05 to 2007-08 is expected to be about 6-7%.

Steel Demand Scenario

The Steel Industry in India is poised for faster growth in the decade ahead as the industrial and economic development of the country gains pace. What however cannot be ignored is that increasing emphasis on globalization and liberalization will closely link the fortunes of the Indian steel industry to the global market. The domestic outlook for finished steel has been estimated as follows:

Table-2 Domestic Market Growth Outlook

<table>
<thead>
<tr>
<th>Growth Trajectory</th>
<th>2006-2007 (million tonnes)</th>
<th>2011-12 (million tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP @ 6.5%</td>
<td>39.5 - 40.7</td>
<td>57.8 - 59.9</td>
</tr>
</tbody>
</table>

(Source: CPR)

The total steel consumption of finished steel in India has been estimated to touch 60 million tonnes from the current level of over 31 million tonnes. It is important to note that despite the near doubling of the consumption level in the country, per capita domestic consumption would continue to be substantially below the world average, which is about 145 kg.

Amongst the steel consuming segments, transportation of petroleum products, household appliances, and automobiles are expected to have the fast growth. However, even a modest growth of 4.4% growth in the construction sector will translate into a large increase in actual consumption volumes. Thus, construction will contribute towards a high proportion of incremental demand in future.

Table-3 Projected Consumption Growth of Finished Steel in Major Domestic Segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>2006-07</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>4.9%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Fabrication</td>
<td>5.5%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Automobile</td>
<td>6.7%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Transportation of Petroleum Products</td>
<td>21.6%</td>
<td>19.4%</td>
</tr>
<tr>
<td>Tube making</td>
<td>4.2%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Household Appliances</td>
<td>7.9%</td>
<td>7.9%</td>
</tr>
</tbody>
</table>

(source: CPR)

While the overall growth in domestic steel consumption is expected to be in the vicinity of 8%, the demand for flat products is expected to rise more sharply as compared to longs. A
broad category-wise projection of growth in finished steel projection, with the year 1999-00 as base depicts the following picture:

Table-4 Category wise Growth in Domestic Steel Consumption

<table>
<thead>
<tr>
<th>Product</th>
<th>2006-07</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total non-Flat</td>
<td>5.9%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Total Flats</td>
<td>8.5%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Total Finished</td>
<td>7.3%</td>
<td>7.9%</td>
</tr>
</tbody>
</table>

(Source: CPR)

Looking into individual product categories, Bars & Rods, HR Coils and Pipes appear to have a good prospect in the medium term. Given the anticipated growth in construction, cold reducing and transportation of oil and gas segments, about 20 million tonnes of incremental demand or about 2/3rd of the total increase in finished steel production will be accounted by these segments alone.

### Assessment of Opportunities and Risks

There is a good prospect of domestic steel consumption growing at about 8% up to the year 2012. Construction, cold reducing segment, and transportation of petroleum products are likely to experience high growth rates. SAIL, as the leading steel producer, is well positioned to take advantage of this opportunity. SAIL's competitiveness can be further enhanced by structured initiatives for cost reduction and enhancing operational efficiency. Taking full advantage of auxiliary fuels, outsourcing non-critical processes to optimize manpower levels, and arriving at the state-of-art technological levels in all its plants can make the company one of the cheapest producers of steel. The other advantage of being a low cost producer is the flexibility to export higher volumes in the event of a downturn in the domestic market. SAIL's quest for becoming a low cost producer will greatly depend on its ability to forge strategic alliances/Joint Ventures in coal, mining, and power areas.

The down side of this opportunity lies in the increased competitive pressure both from domestic producers as well as imports. Almost all the steel majors have expansion plans, which will further intensify competition. At the same time, further lowering of import tariffs could pose a risk especially in times of a downturn in the world steel market. Environment norms are likely to become even more stringent in future. Disposal of solid waste—viz. BF slag, continues to be an area of concern for SAIL. Higher production of hot metal would further increase the problem of slag disposal. Also, clearances of mining leases will be subjected to tighter scrutiny. That there will be intense cost pressure during the next ten years is stating the obvious. SAIL's ability to remain competitive in such an environment will hinge on how quickly a reliable and economic coking coal supply base is established. A failure in this area will expose growth plan to both quantity and cost fluctuations. It would also be very important for infrastructure providers to support the anticipated growth in steel sector by creating concomitant capacities. As infrastructure costs account for substantial proportion of steel making cost, the importance of efficiency in this area can never be overstated. It is apparent that the ultimate battle in future is going to be fought on the quality front. SAIL will have to constantly innovate, both in terms of enhancing product attributes and in setting up customer-centric processes so as not to lose ground in this critical area.
Corporate Agenda for the Future

One of the key objectives of SAIL is to be a world-class company and the leader in Indian steel business by leveraging its key competencies. These competencies will enable the company to manufacture products at lower cost and more speedily than competitors. The real source of advantage will be organisation’s ability to consolidate corporate wide technological knowledge base and skills into competencies, with sufficient empowerment to adapt quickly to changing opportunities. The thrust is on building a World Class Corporation, which will be able to maintain its growth and profitability by leveraging its internal strength and outperforming others in the market place irrespective of the vagaries of the market.

The strategy for SAIL evolves from its Vision statement:

“To be a respected world-class corporation and the leader in Indian steel business in quality, productivity, profitability and customer satisfaction.”

Credo

✓ We build lasting relationships with customers based on trust and mutual benefit.
✓ We uphold highest ethical standards in conduct of our business.
✓ We create and nurture a culture that supports flexibility, learning and is proactive to change.
✓ We chart a challenging career for employees with opportunities for advancement and rewards.
✓ We value the opportunity and responsibility to make a meaningful difference in people’s lives.

Keeping in mind the vision and credo, the following Strategic Goals have been defined for the Corporate Plan:

Strategic Goals

• To continue in the business of steel and steel related activities
• To enhance market share in growth segments
• To improve profits by productivity improvements cost reduction, high value added products and customer satisfaction
• To achieve excellence in quality across the value chain
• To secure availability of key raw materials and alleviate infrastructure bottleneck which may constrain long term growth.

To realize Strategic Goals, strategic options of growth, cost and quality have been detailed. Unit and Functional Strategies, in turn will support these. Further, in light of increasing competition and sophistication of the user segment, the Corporate Plan envisages enrichment of product-mix, including development of new products. These decisions will be based on the growth of consuming segments and competitors analysis.

Corporate Plan 2012:

Considering the factors like core strength, likely growth in steel business and higher risk in un-related diversification, the appropriate strategy for SAIL would be to remain focused in steel and steel related business.
The following are the broad production levels planned to be achieved:

Table-5 Production Projections

<table>
<thead>
<tr>
<th>Production (MT)</th>
<th>2003-04 (Actual)</th>
<th>Projection for 2006-07</th>
<th>Projection for 2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hot Metal</td>
<td>12.75</td>
<td>14.90</td>
<td>19.69</td>
</tr>
<tr>
<td>Crude Steel</td>
<td>11.83</td>
<td>13.63</td>
<td>18.70</td>
</tr>
<tr>
<td>Saleable Steel</td>
<td>10.73</td>
<td>12.43</td>
<td>17.38</td>
</tr>
</tbody>
</table>

The Corporate Plan is designed to increase the hot metal production to about 20 million tonnes per annum against the current level of 13 million tonnes per annum from SAIL plants. This would happen through the optimal utilization of assets coupled with marginal capacity expansion, thereby enhancing SAIL's market share to about 27%, under the projection that domestic consumption of finished steel would be about 60 million tonnes by 2011-12.

Corporate Plan 2012 has also considered the market growth projections assuming overall steel consumption at about 8% per annum. However, the growth trends and macro economic indicators could lead to higher growth potential. Therefore, depending on the market growth, strategies of competitors, global economic scenario, government policies and resource availability, SAIL's plans may be revised from time to time, and further growth in terms of volume, products etc. may be aimed through greenfield investments, acquisitions/mergers etc.
Relations with External Agencies

Introduction

SAIL occupies a pre-eminent position in the Indian Iron & Steel Industry. While it contributes around 26% of plain carbon steel availability in the country, its contribution to pig iron availability is as high as 70%. There are hundreds of items of plain carbon steel that the company produces at its integrated steel plants and markets throughout the country largely through a network of stockyards. SAIL plants also produce a large variety of by-products, coal chemicals and fertilizers. In addition, SAIL is a major supplier of alloy steels and stainless steel.

Hardly any situation can be envisaged in our operation, right from the conception and construction of a steel plant to production and marketing when interaction with a large number of organisations, agencies and individuals is not involved. Being a Public Sector Company, our obligations to all concerned are quite high. These obligations largely arise from policies, rules and regulations framed by the Government from time to time. These are too numerous to permit a detailed enumeration here. In all areas of activity Government approvals continued to be mandatory, until very recently, when the pricing of steel was decontrolled.

The Memorandum of Understanding (MOU) with Department of Steel has vested SAIL with a higher degree of functional autonomy and responsibility. Though revisions in the distribution policy for iron and steel has increased our functional autonomy and has brought us into more direct contact with our customers, different Government policies such as Industrial, Fiscal, Foreign Trade, Licensing and Plan Targets will largely determine the business environment for SAIL. In addition, other policies such as reservation in employment, pollution control, peripheral development etc. also will have a bearing on our activities and performance.

Area of Interaction

The first aspect of relations with external agencies is the area of SAIL’s activities, which call for an interface. These can be classified as follows:

- Investment in capacity creation and capacity maintenance
- Organising production
- Marketing of products
- Responsibility of the nation.

Within each of the areas of interface mentioned above, the important external agencies and individuals with whom SAIL has to interact are detailed below.

Capacity Creation and Capacity Maintenance

Regulating agencies: Planning Commission, Department of Steel, Public Investment Board (PIB), Ministry of Industry, Chief Controller of Imports & Exports (CCI & E), Excise Department, Various concerned Departments of State Governments, Bureau
of Indian Standards (formerly the Indian Standards Institution), Reserve Bank of India etc.

Funding agencies: Finance Ministry, EXIM Bank, external sources such as the World Bank, bilateral trade agreement with other countries.

Design and consultancy organisation: MECON, Dasturco, foreign collaborations, BHEL, foreign equipment suppliers etc.

Organising Production

Sources of Inputs: Coal Controller, Coal India Limited (CIL), State Electricity Board (SEBs), Public Sector Power Plants, Public and Private Sector Mineral Companies, Suppliers of Refractories and Spare Parts. Oil and Petroleum companies, banks especially State Bank of India for cash & credit and foreign suppliers for inputs such as coking coal, refractories etc.

Workforces: Employment Exchanges of different states, Universities and Professional Institutions for campus recruitment, representative organisations of the executive and non-executive employees of the company, Labour and Law courts, Tribunals.

Transportation: Railways, road transports, shipping lines in the case of inputs that are being imported.

Marketing of Products

Customers, major buyers: customer groups and associations - representing foundries, re-rollers, tube makers, wire drawing units, automobile manufactures, SSIC’s, Fertilizer dealers; Conversion agents for mild steel and stainless steel.

Regulating agencies: SPC, Ministry of Agriculture for Fertilizer Allocation, CCI & E, DGTD, various State Government departments such as Directorates of Industries, Sales Tax, Weights and Measures, Local bodies such as Municipalities etc.

Finance: State Bank of India, other banks and financial institutions.

Extent of Dependence

Dependence on external agencies will continue to be substantial in almost all areas of SAIL Operations. To cite a few examples, for creation of additional facilities, capacity upgradation etc., Government approval will still be necessary if the investment required is beyond Rs. 50 crores. For purpose of production the plants are largely dependent on infrastructural support from Railways, SEBs, CIL, vendors etc. Similarly for reaching the material to the ultimate consumer, SAIL is largely dependent upon the Railways for transportation of the required material to the right destination.
Interface with Government and Ministry

Investment decisions beyond the current limit of Rs. 50 crores per project are subject to a detailed process of scrutiny and a two stage system of approval. SAIL is answerable to the Department of Steel for fulfillment of targets for project implementation, production and levels of customer satisfaction.

Parliamentary Committees

SAIL is owned by the people of India and therefore we are answerable to their representatives. From time to time committees of Parliament such as the Committee on Public Undertakings, the Public Accounts Committee and Committee on Official Languages visit our units to satisfy themselves whether the company is discharging the responsibilities entrusted to it.

Customer Groups

Due to long spells of shortages of steel experienced by the country in the past our direct interface with the customer groups was more in situations of surplus availability. This is detrimental to long term commercial interest of SAIL and, therefore, we have, during the past few years, been laying greater emphasis on direct interaction with major customers and customer groups. This effort includes; holding dialogues with customers, visits to their offices and factories. The customers in turn are invited not only to interact with us in customers’ group meetings but also to visit our plants. These interactions with the customer groups take place from the highest level down to the branch level. This is an area where additional thrust is being made with a view to achieving a lasting and mutually beneficial relationship. It is expected that such increased tempo of interaction will lead to quality improvement, product development, timely deliveries, product mix rationalization.

Public

Our interface with the public at large, as distinguished from our customers, has largely been confined to sporadic media coverage. This has led to a situation where today the public at large is not adequately informed of the tremendous contribution made by SAIL to the national exchequer. The contribution of SAIL in developing a strong infrastructural and industrial base for all round economic growth of the country, 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 the aforesaid objectives, however, 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.
Unions and Associations

SAIL has all along endeavored to be a model employer in fulfilling the reasonable expectations of its workforce. SAIL's expectation in return has been that everyone in the company will contribute to achieve the objectives of the company. For achieving the aforesaid twin objectives, reliance has been placed on an approach of participative management, which is very successful in its objectives.

In case of executives there is an association and there are unions for non-executives. There is only one negotiating body on various matters in case of non-executives as well as executives at the all-India level, whereas all the units of SAIL have got a separate set of unions for non-executives and association for executives. The unit level unions and association do not directly negotiate on any matter with SAIL's corporate management. However, once a national level agreement between the company and the non-executives union has been reached, the individual units hold a separate set of negotiations with their recognized union to adopt the same at the unit level. The process for executives is slightly different in this respect. The agreement on major issues reached at the national level is implemented straight away in all the units of SAIL.

Infrastructure

Coal, power and rail movement have been termed as infrastructure as these are critical basic inputs for industry in general and steel sector in particular. Infrastructure support is vital for uninterrupted production. Availability of these vital resources has been lagging behind the demand. In view of the critical nature of these inputs a Cabinet Committee on Industrial Infrastructure is monitoring the availability of these scarce inputs in the country and its allocation to the priority sectors.

To give an idea of the importance of these inputs for the steel industry, every tonne of saleable steel that we produce requires approximately 2 tonnes of coal (coking / non-coking), 600 units of electricity and 6.5 tonnes of rail traffic both inward and outward.

Steel plants are one of the largest bulk consumers of these infrastructure facilities. Practically, the entire coking coal produced in the country is consumed by the steel plants. Nearly one-third of the power generated by DVC is consumed by SAIL steel plants in the Eastern Region. About 15% of the total railway traffic in the country is on account of SAIL steel plants.

Coal

Steel plants need good metallurgical coal for conversion to hard coke which is required as a fuel and reductant in blast furnaces. In this process of conversion, the volatile matter in the coal is expelled which forms the coke oven gas which is used as fuel in steel plants.

All over the world, coke from coking coals with ash level of less than 10% are used in the blast furnaces. Unfortunately, a large part of Indian coking coals have a very
high ash content of nearly 25%. Such coals cannot be used in the steel plants. These have to be washed to a level of around 17% ash. The reserves of coking coal in India are also limited and are located mostly in Jharkhand - Bengal coal fields. The availability of these coals is not keeping pace with the increasing requirements of the steel industry. Coal India Limited is the major supplier of coking coal. In addition, TISCO and IISCO have captive coal mines and washeries.

In order to optimise the productivity of our blast furnaces and also to make good coke and to meet the shortfalls in the availability of coking coal, it was necessary to import low ash coking coal. The low ash, high strength coking coal has resulted in higher productivity and lower coke rate. SAIL has a Central Coal Supply Organisation at Dhanbad which arranges supply of indigenous coal to the steel plants.

SAIL also requires 3 to 4 million tonnes of non-coking coal for the power generating units in the steel plants.

Power
The steel plants need a large amount to power and are heavily dependent on public utilities like DVC and SEB. There is a chronic shortage of power in the country. Disruption in power supply causes havoc to steel plant operations. Initially steel plants were provided with only so much generating capacity as is required to take care of essential loads which could not be shut off from the angle of safety of various plant units, when the external power supply to steel plants is disrupted. This minimum generation has always to be maintained in the steel plants and the balance requirements is met from external agencies. These power plants are also for the process steam generation and blowing. Process steam is an essential requirement for steel plant operations. However, in view of the endemic shortage of power particularly in the Eastern Region and consequent heavy losses or production suffered by the plants (in 1986-87 we lost 0.54 million tonnes of saleable steel due to power shortage) SAIL decided to go in for captive power stations. SAIL added a total generating capacity of 420 MW comprising 7 units of 60 MW each : 3 in Bokaro and 2 each at Rourkela & Durgapur raising the captive power capacity to 695 MW in the various steel plants. Our average requirement of power is over 600 MW. However, SAIL cannot remain independent of external utilities as rolling operations create sudden surges in load which can only be absorbed by a large grid system. Under restructuring, these power plants are being run as joint ventures.

Rail Traffic
Steel plants generate a large volume of rail traffic about 50 million tonnes of inward and outward movement per annum for bringing the raw materials to the plants and despatching the finished goods and secondary arising to the consumers at the current level of production. The steel plants have also an extensive rail transport system inside the plant each having a network of 100 - 290 km. of internal rail track, its own captive fleet of locos and rolling stock to facilitate movement of material in the plant including inter-shop transfer and despatches.
In view of the wide variety of materials to be moved, a mix of various types of wagons like BOX, BOXN, BFR, KC, CV, Tanks etc. is required. The entire inward traffic of main inputs is in rake loads. The size of trains has grown from 20 wagons each to as large as 56 nos. of eight wheeler wagons of 5000T pay load. The steel plants which were designed initially to handle small rakes find it difficult to cope with this new situation.

Our finished products have to be distributed to all parts of the country. We have 43 distribution points of our own (stockyards consignment agencies) spared over the breadth and length of the country, through which about 70% of our steel materials are sold. Besides, there are hundreds of consumers to whom material is to be despatched directly from the plants, this accounts for about 30% of our steel sales.

Steel production has to be evacuated fast from the plants as the deliveries have to be effected to the customers expeditiously. Further the stocking capacity in the plants is limited and inventory has to be kept to the minimum, the inventory carrying cost being high. Outward movement of our materials is however, constrained by certain railway factors.

Initially a large volume of outward traffic (60 to 70%) used to move through loose wagons. However, over the years, at the insistence of Railways, it was agreed to move as much of finished steel products as possible in rake loads from plants to destination. Nevertheless, we still need 30% of loose wagons to take care of deliveries to small stockyards and consumers. On SAIL’s part, wagons must be released within the prescribed norms so that no demurrage is incurred and railway operations are not affected.

**Planning & Coordination**

While day-to-day matter relating to the infrastructure facilities are looked after directly by the plants, the corporate office plays a major role in long term and short term planning, coordination with Government agencies like Department of Coal, Ministry of Railways, Central Electricity Authority and State Electricity Boards, ministry of programme Implementation and Planning Commission so as to ensure availability of adequate inputs to the steel plants as per adequate inputs to the steel plants as per requirements. This involves continuous monitoring of trends of production, requirement and supply of infrastructure so that mismatches of requirement and supply of infrastructure are sorted out, and mid-course corrective measures are taken where necessary.

With a view to improving production, productivity and customer service in tune with those achieved in the advanced countries, utmost emphasis is being placed on changing the work culture by a continuous process of workshops, seminars and training programmes.

Apart from these interface at the functional level departments at plant / units are in interface with many agencies some of them are given as example in the following table:
<table>
<thead>
<tr>
<th>Department</th>
<th>Government Authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coke Ovens</td>
<td>Director of Explosives (transfer and use of by products.)</td>
</tr>
<tr>
<td>Mechanical</td>
<td>Chief Boiler Inspector</td>
</tr>
<tr>
<td>Maintenance</td>
<td>Factory Inspector</td>
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<td></td>
<td>Inspector (Weights &amp; measures)</td>
</tr>
<tr>
<td>Electrical</td>
<td>Chief Electrical Inspector</td>
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<tr>
<td>maintenance</td>
<td>State Electricity Board</td>
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<tr>
<td>Traffic</td>
<td>Divisional Superintendent Railways</td>
</tr>
<tr>
<td></td>
<td>Controller of Purchase &amp; Stores</td>
</tr>
<tr>
<td></td>
<td>General Manager, SE Railway, Kolkata</td>
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<tr>
<td>Safety Engineering</td>
<td>DIHS, State Government</td>
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<td></td>
<td>State Labour Department</td>
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<td>National Safety Council</td>
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<td>Pollution Control</td>
<td>Central and State Pollution Control Department</td>
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<td></td>
<td>DIHS, State Government</td>
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<tr>
<td>Personnel</td>
<td>DIHS, State Government</td>
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<td></td>
<td>Registrar or Trade Union</td>
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<td></td>
<td>Asstt. Labour Commissioner</td>
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</tbody>
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Milestones in SAIL’s Journey to Excellence

Introduction
Following is a brief of the different Organisation Development Interventions in the past few years which have given a direction to SAIL in its journey to excellence.

Priorities for Action
The first major step taken by SAIL to manage change in the liberalised market was in the form of the Chairman’s workshop titled “Priorities for Action” held in January 1986. It was the time when SAIL was not performing satisfactorily and without exceptions there was a general thinking that SAIL was not a successful organisation. The main concern before the top management of SAIL then was whether SAIL could have done better? The workshop tried to find answers to this very question. There was deliberations on the strengths of the company and based on that basis, certain priorities were set which could lead the organisation towards growth. The main objectives sought to be achieved were -

1. Improving the work culture:
2. Making optimum use of the installed capacity:
3. Increasing Productivity:
4. Generation profits through cost control measures: and
5. Providing better customer service.

It was said that though SAIL was operating under certain constraints, all efforts of the company should be directed towards making SAIL free from these external constraints, and the company must gear itself up to meet the challenges of working as a business organisation.

Perspectives for Human Resources Management
Eight workshops were organised at Ranchi to discuss the perspectives for Human Resource Management. Through the discussions; a clarity of the role of the top management was brought about in the overall context of the strategies being adopted by the company. For a better understanding of the problem, the entire gamut of operations was divided into four areas:

1. Employees services and employee relations:
2. Communication, team building and motivation:
3. Manpower planning and recruitment:
4. Training and development:

It was postulated that changes were necessary in the organisation and the attitude of Human Resource Management is necessary to enable it to function in a manner desired and obtain the results expected. In each areas, key result areas were identified where action is required. In the 5th and 6th workshops, the situation was reviewed.
the subsequent two workshops, the discussions centred around Personnel and Line mutual expectations, the systems for the measurement of performance of the group in the light of the initiatives taken, the planning for the future and the follow up systems to ensure that the interest generated is sustained.

Unfinished Agenda

This workshop held in September 1988 started with the premise that SAIL was progressing well. Production was improving, the quality of operation was also improving, long term plans for modernisation had been formulated, customer service was improving, management of projects and investment programmes were being streamlined, budgetary controls were being strengthened. Above all a new culture was emerging within the organisation. The question which was asked at this workshop was - What should we be doing next? What should be our strategy to reach our goal? Therefore, the whole situation was reviewed thoroughly. With respect to the organisational culture, the work practices, manpower planning and utilisation, organisation structure and systems, efficiency and commitment were evaluated. Different aspects of production and productivity like operational consistency and growth, maintenance and upkeep, quality and technological discipline were taken into account. Regarding Marketing and customer service, the aspects of supplies, distribution, efficacy of the marketing team and customer service were studied. With respect to finance and budgetary controls, the areas of cost control and profitability, budgeting, investments, and working capital management were reviewed. Last but not the least, the growth plan implementation was also studied with respect to implementation strategy and technological orientation. The workshop ended with the appeal that there was considerable amount of work that remains unfinished - be it in the context of preparing for technological changes or in reference to improving customer service, cost control, project implementation or in reference to improving customer service, cost control, project implementation or productivity. So we must plan well, have a high degree of commitment, encourage individual initiative and better teamwork for reaching our goals.

Strategies for Managing Change

This workshop was held in March 93 and was focused on formulating strategies for enhancing the ability of SAIL to meet the challenges of the competitive market. It was in this workshop that the Vision Statement of the company was formulated, guiding principles were laid down, and goals were fixed which could steer company safety towards excellence. The corporate strategies developed were directed towards people, product, and profits. These were considered the Three Ps of Progress.

People were considered the main power for company’s progress and it was said that efforts should be directed towards building a culture of excellence amongst them through competence building and discipline.

Appropriate product mix, high quality, competitive price, low product cost, timely delivery, and product innovation were considered the basic objectives to be fulfilled, in order to succeed in the buyers market.
Profit was undoubtedly the main concern and it was thought that this could be achieved through timely implementation of projects and short gestation periods, turnaround of loss making units, diversification of business, improvement in contribution from service units, and international trade.

It was contemplated that concentrating in these three key areas would lead to the desired results.

**Effective Implementation of Corporate Strategies**

The workshop on “Effective Implementation of Corporate Strategies” was held in November 93. The theme, as the title suggests, stressed upon the successful implementation of strategies for achieving the vision of the company. In this workshop, the facilitating and restraining factors were enumerated and the “6 Is” were spelt. These 6 Is were:

1. Internal customer satisfaction
2. Improved system of planning and monitoring
3. Involvement of employee commitment
4. Investment in employee competence
5. Entrepreneurial leadership
6. Internal action for managing external environment

In this workshop the concept of internal Customer Satisfaction was also developed. This concept of ICS was based on the premise that if the external customer is to be satisfied, all internal customers in the supplier customer chain also have to be satisfied on a continuous basis. Methods were suggested to implement the ICS model and it was reiterated that ICS model was the only mode for achieving customer satisfaction in the market place.

**Achieving Leadership in Customer Satisfaction**

This workshop held in April 94, further dealt on the issue of customer satisfaction as a measure of achieving market leadership for SAIL. Accordingly, the following 7C’s of customer satisfaction was enumerated:

1. Consistent Quality
2. Committed Delivery
3. Customised Product Mix
4. Contemporary Products
5. Competitive Price
6. Complaint Settlement
7. Culture of Customer service

It was said, that it was essential that everyone in the company must have a clear understanding of what customer satisfaction means and how to satisfy a customer. To this effect, the ICS model was re-emphasised. Accordingly, the workshop confirmed the commitment of the following steps for achieving leadership in customer satisfaction:

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1. Building organisational capability for fast response to the emerging needs of our customers.
2. Commitment to 100% achievement of performance goals.
3. Increasing production of special grades of steel and value added products to meet special requirements of market segments and to achieve higher profits.
4. Taking initiative to organise institutional arrangements for promoting the use of steel.
5. Focusing on efficient management of funds to reduce working capital and interest burden.
6. Introducing the concept of CMO working as a profit centre.
7. Emphasising development of new markets and new products.
8. Creating a culture of consistency in quality, delivery and other aspects of customer services.
9. Exploiting the existing capabilities to create new opportunities by means of diversification into related areas.
10. Taking a comprehensive review of organisation culture and systems so that SAIL can function as a lean, flexible and responsive organisation, with clear points of accountability for performance.

**Cultivating a Culture of Customer Satisfaction**

Subsequent to the Directors workshop held at Cochin in April 95, a workshop was held in May 95. Here it was realised that there was a need to institutionalise the changes in the organisation through cultivating the right culture. Therefore, the focus of the discussions was on cultivating a culture of customer satisfaction. It was felt that the existing culture was not totally conducive to growth. Accordingly, those areas which were not good should be weeded out, and those things which were good could be nurtured. Still, there must be some things which could be suiting to the present times and these could be created. It was believed that this could be achieved by adhering to the core values of customer satisfaction, concern for people, consistent profitability and commitment to excellence. This workshop rightly emphasised that success gives confidence for further growth. Commitment to core values and adherence to norms of behaviour are expected to take SAIL to a future which will be better, brighter, and more glorious than even the successful recent past. The blueprint of a desired culture will provide us with a navigational chart of how to reach there.

The journey to excellence is thus on. The light shown by various workshops have paved way towards a glorious dawn of progress and prosperity. And it is for certain that transformation of company's vision into reality in a not so distant dream.

**Internal Customer Satisfaction (ICS) Model**

SAIL success story took-off in March 93 at Jodhpur where Directors deliberated upon emerging business scenario and adopted a new Vision Statement:

"*Achieve Market Leadership and Prosper in Business through Satisfaction of Customer Needs by continual improvement in Quality, Cost & Delivery of Products and Services*".
This vision statement has changed subsequently by taking into cognisance of the changed business scenario and Company's strategies to manage this change.

The current vision statement is as follows:

“To be a respected world-class corporation and leader in Indian Steel business in Quality, Productivity, Profitability and Customer Satisfaction”

**Evolution of ICS Model**

During deliberations on “Internal Customer Orientation”, it was felt that our progress and prosperity depends entirely on our ability to satisfy the needs of our customers and create customer preference in favour of SAIL. It is the customer who defines the nature of our business. Satisfaction of customer is not a function of Marketing alone. It depends on the efficiency of coordinated working of all the departments and functions which are located in customer-supplier chain of inter-dependence. Every department or group of function must recognise that the “Next Process is our Customer”. This led to development of ICS Model for promoting Internal Customer Orientation. ICS Model is also an integrating tool which builds implementation capabilities to meet corporate strategies’ goals on a continuous basis. Various steps and stages of ICS Model bring out the common deficiencies prevalent and seek to address these shortfalls and thereby strengthen our implementation capability on an ongoing basis. Before one looks at various stages of ICS Model, let us understand few simple terms:

*Internal Customer* - Any department that receives a product or service from another department is an Internal customer of the Department.

*Internal Customer Satisfaction* - Internal Customer Satisfaction in Customer-Supplier chain means working together so that supplier delivers all the product and service requirements of the Customer Department in time.

**Difference between Internal Customer 7 External Customer** -

- No commercial transaction with Internal Customer
- External Customer outside our control. Our choices do not affect them
- Internal Customer has no choice
- Internal Supplier has a compete monopoly on supplies of an Internal Customer
- Competitive advantage through Internal Customer

**ICS Model**

**Objectives of ICS Model** -

- Develop productive and effective Internal Customer Supplier Relationship to serve external customers better.
- Develop Implementation capabilities on an ongoing basis
- Help each Department to identify and overcome its Internal Weaknesses
- Build Customer Orientation (both internal and external) throughout the Organisation.
- Understand the difference between External Customer, Internal Customer and importance of ICS for satisfying external customer.
Prerequisites of ICS -

• MDs / ED(W)s, Principal HoDs to agree on results and targets for the plant/unit keeping in view goals set by the Company.
• Realisation by everyone that “Next Process” means the Customer.
• Appreciation of each other’s viewpoint, capabilities and constraints.
• Identification of Internal Weaknesses instead of fault-finding with supplier or customer.
• High degree of commitment to the needs of customers.
• Involvement of customers in major decisions concerning the Department.
• Involvement of service / staff Departments in planning process.

Three Phases of ICS Model

Phase - I

Reaching an agreement with Internal Customer(s) for fulfilling his specific requirements through a process of discussion.

Steps -

i. Each department should first identify all its internal Customer and supplier departments. For example, for Blast Furnace Department, the customer departments would be Steel melting Shop and Foundry. Its supplier departments would include Coke Ovens, Sinter Plant, Raw Materials, Traffic, Power Plant and all service departments like Personnel, Materials, Finance etc.

ii. It should invite the key persons of the Customer Departments to present their specific requirements in terms of quantity, quality, time schedule etc. for products and services required from the department. The key persons from its supplier departments may also be invited to attend this meeting. The discussions should lead to an agreement on the true requirements of the Customer Departments in specific terms.

iii. MD / ED(W) should be present in this meeting to facilitate discussions and to ensure that best possible agreement is reached.

iv. The agreement should be clearly documented by the department and communicated to all executives of the department as well as to the HoDs of the Customer and Supplier Departments.

Phase - II

Preparing the Performance Plan for the department to fulfil the requirements of the Customer Departments and also to develop micro-plans to achieve the planned results of the department.

Steps -

i. The department should organise an internal meeting of all key executives to specify the results / targets to be achieved by the department to satisfy all the needs of the customer as per the time schedule specified by the customer. These results should be broken down to a monthly and even daily results to be achieved by the department.
ii. The department should identify all its internal weaknesses which would need to be overcome in order to enable the department to achieve the results. Efforts have to be made by HoD to encourage frank and free identification of internal weaknesses.

iii. The department would then prepare a micro-plan to achieve the results. The micro-plan should clearly specify how to achieve the results, what steps would be taken to overcome internal weaknesses, who would take those steps, the time frame for each step and the additional resources required to achieve the results. The micro-plans would then have to be prepared at sectional level involving all executives and even some key operators in the section.

iv. The resource requirements should be intimated to the concerned supplier departments, e.g. Materials Management, Personnel, Raw materials, Finance Maintenance, Traffic etc. These service departments should compile the resource requirements from all their customer departments. Considering the normal tendency to over-plan resource, the total resource project may exceed the resources budget allotted to the plant. In such a case ED (W) should examine and allocate resources to each department within the resources available to the whole plant.

v. The department should present its detailed micro-plan to MD / ED (W) in presence of key persons from the customer and supplier departments for final approval.

Phase - III
Converting the performance factors into financial budget and getting approval for the departmental budget.

Steps -

i. Finance Department of each plant / unit will convert the above micro-plans into financial and performance budget of the plant/unit for submission to MD and Chairman.

ii. The approved micro-plan and performance budget will be circulated to all executives in the department and also to HoDs of the customer and the supplier departments.

iii. Monitoring of performance should be based on the approved budget and the micro-plans.

Seven C's of Customer Satisfaction
Implementation of ICS Model will ensure involvement of officers in each department which will lead to higher commitment to the plans. The identification of internal weaknesses and steps to overcome them will lead to building implementation capability. The process will help increase Internal Customer Satisfaction and thereby lead to greater satisfaction of external customers. To satisfy an external customer, we must know our customer and his true requirements. In a large and complex organisation like SAIL, the external customer is not visible to majority of the employees / departments. Therefore for full customer satisfaction in terms of Quality,
Quantity, Delivery and Services, SAIL identified following seven dimensions of Customer Satisfaction:

- Consistent Quality
- Committed Delivery
- Customised Product-mix
- Competitive Price
- Contemporary Product
- Complaint Settlement
- Culture of Customer Service

We must have the customer in focus all the time since customer is the reason for our existence and he defines the nature of our business. ICS-Model ensures that the Customer (Internal 7 External) is the cynosure of all our activities / actions. ICS-Model can only make SAIL market oriented and help covert challenges into golden opportunities.

**Leadership - 2001 Benchmarking for Global Competitiveness**

In April 1996 another workshop on Leadership 2001: Benchmarking for Global Competitiveness was organised and it was decided that for global competitiveness SAIL has to take concrete steps in the area of Benchmarking. Benchmarking has been defined as a continuous process of measuring products, services and practices against the toughest competitor or those companies that are recognised as industry leaders. Benchmarking is to be pursued for processes in three areas:

1. Customer Satisfaction
   - Quality, Delivery, Customer satisfaction
2. Productivity
   - Blast Furnace productivity, Steel making, Consumption norms Capital Productivity, Waste management, Man power productivity
3. Process Improvement
   - Technology, Project implementation Investment, competence

Each Plant / Unit will take up specific projects in the area of Benchmarking to have a culture of competitiveness and also for SAIL to become a Global Leader in the year 2001.

**Accelerating Change in SAIL**

In June 1997, a Workshop on “Accelerating Change in SAIL” was organized. Basically, it was felt that times are changing and we have to respond very vigorously and in new ways. Increasing competition, a quickening in the pace of change, increasingly discerning customers and limited resources are demanding efficiency, creativity and responsiveness. Therefore, we must change and improve much faster than we have done so far.

➢ To accelerate change in SAIL, we need to understand components of organizational change—
Actual factor is strategic flexibility, which implies that the path to strategic goals must be reduced continually, to catapult the organization towards its vision.

Hidden leverages are to be identified, that drive the organization

Organization should have operational alignment, which calls for changing the many interrelated facets of the organization - management policies, organization structure, business processes and resources - without disrupting performance.

Change in mindset of people and high involvement of all concerned lies at the core of an accelerating organisation

As an organization changes, it must build an infrastructure of continuous learning so that it can sustain high performance.

Leading companies have learnt in recent years that success is limited to only those who continuously monitor and meet changing customers needs, streamline process, cut costs and re-structure for quicker response to customer demands. Today, we find ourselves in a situation of sluggish market on one hand and substantial increase in the input costs on the other. To overcome these challenges, Directors formulated a five point programme, which concentrates on:

- Reducing cost more definitely and faster
- Maximizing revenues by increasing Net Sales Realisation
- Improving customer orientation and quality
- Improving utilisation of assets
- Increasing exports to obtain more revenue

Path to Turnaround and Transformation

Our Company’s financials after showing consistent profits from 1984-85 upto 1997-98 came under strain since 1998-99 on account of a number of reasons. To overcome the adverse situation and attain a position of sustainable profitability, SAIL has implemented one of the most comprehensive restructuring programme.