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EFFECTIVE CHANGE MANAGEMENT: A TURNAROUND CASE OF STEEL AUTHORITY OF INDIA LIMITED

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ABSTRACT

With case analysis of one of largest Indian Steel Company, the two points have been concluded. The first one highlights that there is need to address financial, business and operational issues in case of crisis for effective turnaround. Second point highlights that while planning for growth, global competitiveness can not be ignored. Strategic Flexibility in addressing each of he issues of turnaround and growth has been found underlying philosophy in the case.

Introduction

Most business organizations have accepted, in theory, at least, that they must either change or die. Though some organizations succeed, change remains difficult to pull off, and a few companies manage the process as well as they would like. Most of their initiatives have had low success rates. There is a general feeling that about 70% of all change initiatives fail. "Change projects" fail more often from lack of Effective Change Management, as most significant single reason.

Effective Change Management is the effective management of a business change, where executive leaders, managers and front line employees work in concert to successfully implement the needed process, technology or organizational changes.

We, all, believe that the essence of formulating competitive strategy for change is "relating a company to its environment". The words "organization" and "environment" create two dynamic interacting entities. The resultant impact of such dynamic interaction will decide strategy domain of an organization and its implementation will require changes.

As part of research, Case Analysis of a company with successful turnaround and growth oriented company was chosen to see extent of issues in turnaround and growth and underlying strategic flexibility in addressing such issues.

Steel Authority of India Ltd. (SAIL) is India's largest steel maker and among the leading steel producers of the world. It is one of the largest corporate entities in India in terms of turnover and market capitalization. Formed in 1973 as a holding company of steel plants and related/associated input units, to plan, promote and organize integrated and efficient manufacture/ development of iron and steel, SAIL in its present form came into operation in 1978 with the passage of the Public Sector Iron and Steel Companies (Restructuring) and Miscellaneous Provisions Act, 1978. The objective of the Act was to restructure iron and steel companies in

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the public sector with an aim to secure better management and greater efficiency in their working. Consequently, companies in construction, coking coal, iron ore and refractories were delinked from SAIL from May 1978. The company, at present, has four integrated steel plants at Bhilai, Durgapur, Rourkela and Bokaro. In addition, it has three special steels units at Durgapur, Salem and Bhadravati.

Over the years, SAIL has taken over and nurtured the following steel companies:

- Government had taken over Indian Iron and Steel Company (IISCO) in 1972. The shares of Government of India in IISCO were transferred to SAIL w.e.f. 1st May 1978, making it a wholly owned subsidiary. The same has been merged with SAIL a year back
- SAIL took over management of Maharashtra Elektrosmelt Limited (MEL) in 1986, for utilizing some of its facilities for R&D work and to maximize production of ferro-manganese for captive use in its plants. SAIL currently owns about 99% of the company.
- The Government of India, Government of Karnataka and SAIL signed an MoU on 10th Aug 1989 for taking over majority shareholding of Visvesvaraya Iron and Steel Company Ltd. (VISL) by SAIL. In 1997, SAIL acquired entire shareholdings from Government of Karnataka making it a wholly owned subsidiary of SAIL. Subsequently, the company was merged with SAIL w.e.f. December 1998.

SAIL was fully owned by Government of India up to 1992. The Government disinvested part of its equity in the company in phases between 1992 and 1995. SAIL also raised equity through issuance of Global Depositary Receipts (GDR) in 1996. The present paid up capital of the company is Rs. 4130.40 crore, of which the President of India holds 85.82%. The balance shares are held by financial institutions, mutual funds, banks, employees, GDR holders, individuals etc.

Currently, SAIL has a nationwide presence through its 7 plants, 16 mines and 45 marketing offices located in various parts of the country. The captive mines meet almost the entire requirement of iron ore and half the limestone and dolomite consumption of SAIL plants. Producing nearly 25 million tonnes of raw materials, it has the second largest mining operation in the country after Coal India Limited, and is India's largest iron ore producer. SAIL and its joint ventures generate about 460 MW of captive power, meeting more than 60% of its requirement. The company is one of the largest customers of Indian Railways, accounting for nearly 10% of its freight movement.

SAIL produces basic as wells as specialty grades of steel for a variety of industries, including defence, construction, engineering, power, transportation, oil and natural gas, and consumer durables, and the product mix is oriented to keep pace with market demand. The products of SAIL include Structurals, Bars and Rods, and Railway products, Plates, Hot Rolled Coils/Sheets, Cold Rolled Coils/Sheets, Galvanized Sheets, Tinplates, Electrical Sheets and Pipes. It has vast portfolio of long, flat and tubular products and they are marketed within and outside India by its Central Marketing Organisation (CMO) and the International Trade Division (ITD) respectively. SAIL has a network of 45 branches, 41 stockyards (including consignment agents) to service customers in all parts of the country.

A case on Steel Authority of India Ltd. (SAIL) provides lessons on how a company be turned around using Warning signals, Focusing on Finance and Strategy and Effective Leadership

Warning Signals

Industry Scenario: Pressure on Performance

The Indian economy faced an unprecedented balance of payment crisis as fallout of the Gulf War of 1990. The Government on July 24, 1991 announced a bold package of reforms introducing major changes in the trade and industrial policy. This had a major impact on the steel sector, which till then was one of the most regulated sectors in the Indian industry.

To begin with, the iron and steel industry was one of first list of industries was exempted from the provisions of compulsory licensing.

Price and distribution regulations were also lifted in January 1992 enabling steel producers to fix their own prices. This was followed by discontinuation of the Steel Development Fund (SDF) in 1994, and disbanding the Engineering Goods Exports Assistance Fund in 1996. Further, under the New Economic Policy, the private sector was encouraged to set up steel plants and tariffs on most steel goods and related raw material imports were reduced.

The Government had announced that its investments would be limited mainly to areas of strategic importance, high technology and certain infrastructure projects. Consequently, Government of India started the process of disinvestment of its holding in major PSUs and SAIL was one of the first PSU taken up for disinvestment. Since 1992, Government of India has disinvested its holding in SAIL in a phased manner. Till October'95, about 10.65% equity was disinvested.

Consequent to disinvestment, SAIL shares were listed in all the major stock exchanges of India viz., Mumbai, Delhi, Calcutta, Madras, Ahmedabad and National Stock Exchange, Mumbai. SAIL's stock performance in the stock exchanges was quite impressive in the initial years.

Taking advantage of its position in the domestic and global market, SAIL was able to raise resources in the international market. During March 1996, SAIL became one of the first PSUs to successfully raise equity through the issuance of Global Depository Receipts (GDRs). SAIL raised US$ 125 million by issuing 14.45 crore equity shares of Rs. 10 at a premium of Rs. 19.55 per share. With the increase in equity capital, GoI equity holding in SAIL has come down to 85.82%. SAIL GDRs are listed on the London Stock Exchange. The issuance of GDRs gave recognition to SAIL in the international market, enabling the company to mobilize resources from the foreign market through other instruments as well.

The decontrol and de-regulation of the steel sector together with the partial divestment of GoI holding, exposed SAIL not only to the competition of the market place but also to the evaluation of the investing public. SAIL managed to take up this challenge and could live up to the expectations of its stakeholders up to 1997. This can be seen from SAIL's performance during those period which is shown under:

Table 1: Financial Performance of SAIL: 1991-92 to 1996-97

Particulars	**FY 92**	**FY 93**	**FY 94**	**FY 95**	**FY 96**	**FY 97**
Sales	9360	10175	11671	13867	14710	14131
Op. Profit	1503	1821	1820	2397	2712	2458
Profit before Tax	367	423	545	1163	1319	588
Profit after tax	366	423	545	1108	1319	515

However, the above performance could not be sustained in subsequent years due to market slowdown and structural weaknesses.

Sluggish Demand

A slowdown in economic activity engulfed almost all the industrial segments, leading to a steep drop in the growth rate of steel consumption. Global steel prices too declined considerably affecting domestic steel scenario in a liberalized market condition. The rise in cost of vital inputs brought severe stress on margins. The production had to be regulated due to sluggish demand. This reflected in SAIL's physical as well as financial performance. By 1998-99 SAIL had slipped into loss.

In sum, the decline in performance of SAIL is attributable to both environmental as well as structural factors. Some of the major reasons are listed below:

- Continued slowdown in the major steel intensive segments was a key reason that led to reduced domestic demand. This was further amplified by low investment by the Government in major infrastructure development projects, which could not be compensated by equivalent private sector participation.
- Opening up of the steel sector had been seen by many entrepreneurs as an opportunity to earn handsome profits as the sector was historically plagued by shortages. With removal of pricing and distribution control, the only barrier to availing this opportunity was mobilizing requisite finances. Despite the new players choosing EAF route or alternate to blast furnace like Corex, the capital required for setting up of 2 to 3 million tonne capacity was substantial. However, given the upbeat mood of the public for equity issues and institutional lenders who were bullish on the steel sector, the major players did not find it difficult to mobilize funds. Then, with slow down in demand from 1997-98, it became apparent that steel demand in India was going to fall short of projected figure of about 33 million tonnes by 2001-02. This led to a big mismatch between demand and supply, largely in flat products.
- In the domestic economy, while the net availability of steel in the market continued to grow rapidly as a consequence of commissioning of fresh capacities, the growth in demand for steel lagged behind. This led to a declining trend in prices of steel in face of steadily increasing input prices. Though the steel market was deregulated, the vital inputs of steel making like coking coal, power, etc., remained under administrative control putting tremendous pressure on SAIL's profitability.
- Very high incidence of financial charges was the other factor that had a significant impact on SAIL's profit. The company's modernisation programme at an estimated cost was financed mainly through market borrowings. Capitalization of facilities under modernisation led to a steep increase in interest and depreciation charges. Depreciation charges increased. The interest charges also went up steeply. (It may be noted that in the 1980s, there was a growing realization that the Indian steel sector was becoming uncompetitive due to the backlog of modernization and technological up-gradation. As a result, modernization plans were conceived and approved for three of the integrated plants – Durgapur Steel Plant (DSP), Rourkela Steel Plant (RSP) and Bokaro Steel Plant (BSL). The first plant to be taken up for modernization was DSP followed by RSP and then BSL). On one hand, the modernization helped SAIL to compete in the liberalized and competitive business environment, which unfolded from 1991 onwards. On another hand, increase in financial charges (depreciation and interest) strained bottom line of SAIL, subsequent to capitalization of modernized units.
- SAIL has been carrying excess manpower on its rolls, due to its social responsibility towards industrial employment. In the era of controls, SAIL could continue to operate with larger than required manpower. However, with onset of liberalization, high manpower cost became

a major area of competitive disadvantage. During the period, the salary and wage(s) bill of the company increased. At the same time, funding of social infrastructure in the form of schools, hospitals and township, supporting loss making subsidiaries and large manpower, resulted in higher cost.

Focusing on Finance and Strategy

The SAIL management was proactive to realize that the structural problems faced by the company. This required formulation of a comprehensive turnaround strategy. Till this time, the company's already taken modernisation program had also resulted in upgradation of steel making technologies, increased production capacities, reduced energy consumption, lower cost of production through environment friendly processes, and improvement in product quality and productivity. Quick stabilization of the modernized facilities became a focus area to derive the envisaged benefits.

However, with declining profitability from 1997-98 and significant increase in borrowings, SAIL's balance sheet had started looking weak.

In order to improve the financial health and particularly to improve its ability to service debts, the company looked into various options. IDBI, a leading development financial institution in India, was engaged to study and recommend a financial restructuring proposal. In a parallel exercise, SAIL had internally worked out a turnaround and transformation plan. This was further examined by leading international management consultants, McKinsey and Co. Based on the deliberations; SAIL submitted a comprehensive financial and business restructuring proposal to Government. The essential elements of restructuring strategy of SAIL comprised:

- Refocus on the viable and the core
- Reduce Operation Costs
- Restructure the Organization
- Reprioritize Capital Expenditure
- Restore Financial Foundation

Refocus on the Viable and the Core

With a view to long term competitive positioning, SAIL is required to run its businesses effectively and efficiently based on core competencies. It was, therefore, decided that SAIL in future should concentrate on its core business of carbon steel and hive off activities, which are ancillary to the main business. For this purpose, the non-core businesses needed to be hived off or separated as independent entities (Joint Ventures etc.) to ensure availability as well as efficient utilization of the resources in the core businesses. The concept envisaged provision of improved liquidity as well as enhancement of the company's profitability based on the capital gains from such restructuring moves. Divesting of special steels businesses, hiving off power plants for operation by independent agencies to raise resources, were to be some of the steps in this direction. The Fertilizer Plant of RSP could be closed or sold to a JV partner, as it had been taken out of the retention price mechanism.

Identifying and disposing idle assets was also targeted as one of the strategies to meet the cash requirements. For this, a Core Committee was constituted which inter-alia provided policy framework to undertake disposal. Subsequently, sale/lease of real estate was also undertaken to bridge the cash requirements and realize value from locked up assets, as a large number of houses had fallen vacant in townships with reduction in manpower of SAIL. Similarly, some of the facilities, units/shops of SAIL that had outlived their utility were to be closed and their

assets disposed.

As part of this, Divestment of Power Plants at BSP, DSP, RSP and BSL were divested in form of Joint Ventures. This resulted in required cash in-flow and a capital gain.

With the divestment of power plants, SAIL could achieve one major milestone in the process of restructuring. As regards divestment of other non-core units, SAIL's attempt to divest ASP and VISL could not elicit adequate response to its offer and are not being pursued at present. Similarly, the divestment of oxygen plant at Bhilai also could not be completed due to lower value offer and has been called off. The divestment of SSP and Fertiliser Plant at Rourkela is underway and bids for the same have been received.

Reduce Operation Costs

To avail the full benefit of SAIL's modernisation and technological upgradation plan it was imperative that each plant operated at its optimal capability. The productions through efficient routes were maximized and modernized assets were exploited to improve the key techno-economic indices.

To augment sales revenue the company targeted:

- Achieving higher sales realization by moving to products which per se fetch higher realization in the market;
- Reducing the arisings while producing both standard grades and value added grades, In sum, SAIL adopted cost reduction as a concerted strategy from 1997-98 onwards, which has not only given encouraging results but also brought a culture of continuous cost reduction. The focus of the cost reduction measures has been on the operational areas, i.e. cost before depreciation and interest, and excluding salaries and wages. Reduction in input costs has been effected by simultaneous actions in two directions:

  I. Optimizing the raw materials linkages to the plants for minimizing the landed cost at the plants

  II. Reducing the specific consumption of raw materials and other inputs

As coking coal accounts for 64% of the total cost on raw materials, it has been a key area for cost control. A reduction in coke rate of 1 kg/tonne of hot metal, results in a saving of Rs. 7 crore per annum. Therefore, all necessary steps such as increasing sinter proportion in the burden, higher charging of nut coke, introduction of cold dust injection, etc., were planned and implemented to effect a reduction in the coke rate. Operating efficiency has been increased by improvements in the process yields at various places, and reductions in diversion and arisings. Improvements in techno-economic parameters such as reduced petro-fuel and power consumption, lower consumption of stores and spares, and reduction in contractual and administrative expenses etc., have been the other areas of cost reduction. Cost reduction has become an ongoing process in SAIL. Every year areas for cost reduction are identified and performance monitored regularly. More than Rs. 1700 Crores could be saved since 2000-01, as part of strategy implementation.

Restructure the Organization

In order to increase the effectiveness of SAIL's marketing network, Central Marketing Organization (CMO) of SAIL was reorganized into Flat and Long Product groups. There was also a separation of the marketing and the warehousing functions of CMO. The distribution channel was also augmented by appointment of dealers. Operations of certain un-remunerative stockyards were

closed down, some of which have been taken up by consignment agents. To strengthen sales-force, some executives from steel plants were inducted in marketing function. Besides, training was imparted to around 700 executives for enhancing their marketing skills. A new Key Account Management (KAM) process was introduced to serve key customers better. 66 Key Accounts and 185 Branch Key Accounts were identified to focus on key customers. Cross-functional teams, Key Account Managers and Plant Information Coordinator (PIC) and Plant Account Coordinator (PAC) were identified for each key account to improve interface between Production and Marketing.

In the areas of manpower, there has been a continuous pressure on SAIL's bottom line due to the high costs of manpower in spite of continuous reduction in manpower particularly in the last few years. Manpower cost as a proportion of turnover has been around 18-20% for SAIL, while this ratio for the newer steel producers is as low as about 5%. Hence, rightsizing of manpower was taken up as a milestone for ensuring long-term viability. Towards this end, SAIL introduced VR schemes, restricted recruitment and allowed flexibility through schemes such as study leave/ sabbatical for its employees.

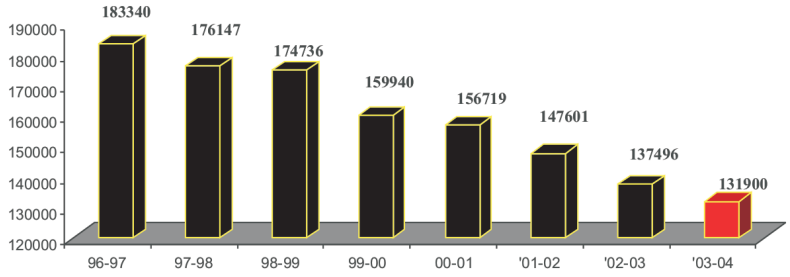

Figure-1-Manpower Trends in SAIL (Nos.)

A number of measures were initiated for containing manpower cost at SAIL. From a level of 176,147 as on 31st March 1998, SAIL could bring down its manpower strength to 131900 on 31st March 2004. This could be achieved through implementation of series of voluntary retirement schemes apart from natural attrition. The company has launched voluntary retirement schemes on a regular basis from 1998 onwards.

The manpower cost was also contained by a number of other measures. Dedicated employees supported management initiatives and cooperated in the difficult time through suspension of leave encashment, withdrawal of leave travel concessions, reduced subsidies on electricity supplies in SAIL townships etc.

Reprioritize Capital Expenditure

In view of the pressure on liquidity, the company reviewed its capital expenditure programme and limited its investment to only those schemes which were – (a) either essential for competing in the market, or (b) were required for compliance to the statutory requirements, or (c) essential for maintaining normal health of the equipment.

Restore Financial Foundation

IISCO, a wholly owned subsidiary of SAIL was declared a sick unit and came under the purview of BIFR in 1994. Over the years the accumulated losses of IISCO had grown to a significant amount. With the profitability of SAIL getting affected, it was no longer possible for SAIL to continue to support IISCO. It was thus decided that the borrowings from SDF by SAIL could be

waived by the GoI, and SAIL in turn would waive dues of similar amount to IISCO, thus cleaning up IISCO's balance sheet. Similarly the GoI could also waive its loans to IISCO, which had been routed through SAIL.

The other element of the financial restructuring plan comprised aligning the asset value of SAIL to its realistic worth. Due to various reasons in the course of modernization, there was an element of escalation in cost of projects which had come about because of the cost and time overrun. Since this escalation did not represent the real worth of the asset, a part of the SDF loan could be set off against reduction in the book value of the asset.

The Government of India approved the Restructuring Proposal in February 2000, comprising waiver of SDF/GoI loan (Rs. 5454 crore), and the process of divestment of non-core assets through business restructuring measures. Financial Restructuring of SAIL by waiving of loans advanced to SAIL from Steel Development Fund to a value of Rs. 5073 crore and Rs.381 crore from the Govt. of India. Further, provision of Government guarantees with 50% interest subsidy for loan and interest thereon of Rs. 1500 crore to be raised by SAIL from the market to finance reduction in manpower through Voluntary Retirement Scheme and also provision of Government guarantee for loan and interest thereon of Rs. 1500 crore to be raised by SAIL from the market primarily for meeting repayment. The modality of financial restructuring of writing down of loans from SDF and GoI amounting to Rs. 5454 crore were:

- Write-down of the assets of SAIL to the extent of Rs. 3001 crore;
- Write-off of loans and advances relating to IISCO (Rs.2454 crore)

With the approval of restructuring proposal, SAIL geared itself to implement the same quickly as the steel market scenario continued to be grim.

Financial restructuring was implemented with effective with effect from 1st April, 1999 which resulted in reduction of losses and debts. *Financial restructuring was a result of book adjustments and did not result in any cash infusions to the company.*

Regaining Performance Level

On the operational front, SAIL has been taking various measures to improve its internal efficiencies thereby improving its competitiveness. The result of various initiatives together with the result of modernisation yielded in improved performance in the area of operations which is as under:

Table 2: Trends in Operational Performance

Area	97-98	98-99	99-00	00-01	01-02	02-03	03-04
Energy Consumption (G.cal/tcs)	8.28	8.09	7.96	7.90	7.69	7.50	7.46
Coke Rate (kg/thm)	594	581	564	568	557	538	542
BF Productivity* (t/cum/day)	1.44	1.41	1.48	1.48	1.47	1.51	1.53

* Blast Furnace Productivity

These improvements, together with successful measures such as purchase cost reduction, etc., have yielded appreciable savings. This has been one of the thrust areas management had identified in order to survive in an industry, which has to contend with the vagaries of the

market. As a consequence of cost savings measures introduced by SAIL, the total cost of production has remained more or less same during the last five years despite steep increase in the prices of raw materials, coal, power and transportation.

In spite of the various internal initiatives undertaken by SAIL, the performance in terms of bottom-line remained at its low ebb during the period 1998-99 to 2001-02. This was primarily due to the depressed steel market scenario, which affected the steel companies cutting across the globe. However, situation started showing improvements from 2003-04.

Table-3-Financial Performance of SAIL during 1997-98 to 2003-04
(Rs. Crore)

Particulars	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
Sales	14624	14994	16250	16233	15502	19207
Other Income	728	651	989	784	1274	788
Op. Profit	2498	1503	1202	2167	1011	2165
Profit before Tax	149	-1618	-1720	-729	-1707	-316
Profit after Tax	133	-1574	-1720	-729	-1707	-304
Net Worth	8489	6886	4765	4165	2252	1989
Total Loans	20015	21017	15082	14251	14019	12970

As can be seen from the above table, SAIL's turnover had been increasing on account of increased volume. However, poor realization and input cost escalation affected the margins, which resulted in lower operating profits. Other income showed an increase in FY 2000 on account of financial restructuring while the increase in the same head during FY 02 was primarily on account of capital gains accrued from business restructuring. If financial and business restructuring interventions had not been there during those years, the situation would have been alarming.

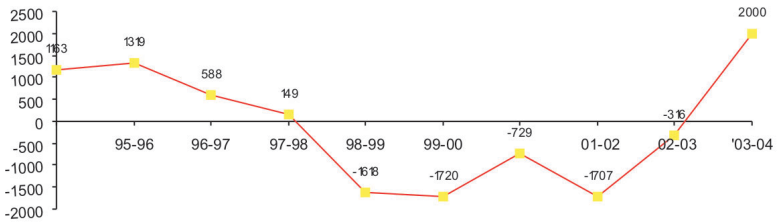

Figure 2: Net Profit before Tax/Loss

It goes to the credit of SAIL that by taking proactive actions it could manage its business during a period considered being the toughest for the steel sector. SAIL was able to service all its obligations in time at a time when there were a number of defaults by the other steel producers in India, and a number of closures and bankruptcies in the steel industry worldwide. Actions enumerated in preceding sections helped the company to overcome these trying times.

Effective Leadership [Steering the Process of Building Organization Pride]

At the time of initiating its business-restructuring programme, SAIL took into confidence its

various stakeholders. A company-wide communication exercise was undertaken to disseminate the need for the restructuring and its likely impact for reviving fortunes of the company.

Needless to say that, the Organization Leadership are found taking active interest for revival and growth of the company. The leadership has been instrumental in recommending strategy and facilitating its implementation in an evolving manner.

In addition, Employees teams are the mainstay and the critical resource of SAIL's competitiveness. Human resource of SAIL has demonstrated resilience, adaptability, innovation and ability to manage change.

SAIL took incentive scheme redesign exercise, where focus was shifted from volume to quality and profitability.

Certain business process were reviewed and re-engineered like Project Management, Marketing and Planning.

Leadership continued to be vision driven in the whole process. Wherever required, external help was also sought for advice. International famous consultant like McKinsey and BCG worked closely with SAIL in the process of transformation.

Post Turnaround Performance

After several years of depressed market conditions, the financial year 2003-04 witnessed buoyancy in demand for Iron and Steel products and improvement in domestic as well as international steel prices. With the consistent efforts coupled with market buoyancy, SAIL made its turnaround by earning a Net Profit (PAT) of Rs.2512 crs during 03-04. The company further consolidated its position in 2004-05 by registering a record profit after tax of Rs.6817 crores and Rs 4013 crores during 2005-06. During 2006-07, company has earned a profit after tax of Rs.6202 crores and achieved the highest ever turnover of Rs.39189 crores arising out of best ever sales volume, sales realization and better product-mix. The company also achieved its best ever profit before tax of Rs 9423 crores during the year. The improvement in financial performance resulted from higher production and sales volume, improvement in techno-economic parameters, higher production of value added products, higher sales realization, lower interest costs and higher interest earnings. SAIL is well on its way to post more than Rs 6500 Crores during the current year also. Good performance has allowed steady decline in the overall borrowings position of SAIL:

	Total Borrowings (Rs in crore)	**Net Worth** (Rs in crore)	**Debt/Equity Ratio**
31.03.03	12928	1989	6.50:1
31.03.04	8690	4659	1.87:1
31.03.05	5770	10012	0.58:1
31.03.06	4298	12386	0.35:1
31.03.07	4181	17184	0.24:1
30.06.07	3347	18727	0.18:1
30.09.07	3205	20440	0.16:1

Future Out-look

To improve further, it has already initiated Strategy 2012 Expansion Plan to circumvent the perceivable constraints to future growth and take the organization to a sustainable path of profitability. Towards this end SAIL aims to build a World Class Corporation, which is able to

maintain its growth and profitability by leveraging its internal strength and outperform the competition. Going forward SAIL will build on its strengths and state of art technology to become a nimble and responsive organization. The following strengths were identified within the company:

- Modern plant facilities
- Highly skilled manpower / knowledge base
- Wide product range and selling / distribution network
- Captive iron ore mining
- Strong R&D base
- Large existing infrastructure with high potential for growth
- Geographically dispersed location of plants
- Capability to raise huge financial resources

To leverage the unfolding opportunities and building on its strengths, the company has drawn a Vision Statement:

"To be a respected World Class Corporation and the leader in Indian steel business in Quality, Productivity, Profitability and Customer Satisfaction".

Corporate Plan: SAIL drew up its Corporate Plan 2012 in 2004, outlining the growth path of its integrated steel plants with hot metal production capacity build-up plan of 28 Mt. In light of good market prospect, SAIL is planning to complete its expansion plan by 2010.

Besides capacity enhancement, the growth plan adequately addresses the need of SAIL plants towards eliminating technological obsolescence, energy savings, enriching product mix, pollution control, developing mines and collieries to meet higher requirement of key inputs, to introduce customer centric processes and matching infrastructure facilities in the plant to support higher production volumes. These measures would also help in attaining cost and quality competitiveness, along with growth.

The technological up-gradation to be undertaken during the growth period will achieve:

- 100% production of steel through BOF route
- 100% processing of steel through continuous casting
- Value addition by reduction of semi finished steel, and capability for high value added products
- Auxiliary fuel injection system in all the blast furnaces
- State-of-art process control computerization / automation
- State-of-art online testing and quality control
- Energy saving schemes
- Secondary refining
- Adherence to environment norms

The primary objective of HR policies has been found to achieve benchmark in labor productivity and increase the net surplus generation per employee. Organization development interventions for job enrichment and role clarity and augmented responsibility are a few hallmark of SAIL's current plan.

As seen in the above case, it is evident that turnaround exercise requires multiple actions

in the company and is time taking efforts. Market turnaround also facilitates in early turnaround. Post turnaround, the improvement actions are necessary before embarking on growth path. Growth orientation requires addressing issue of competitiveness. Addressing different phases of business cycles requires strategic flexibility and re-orientation of leadership styles.

References

- SAIL internal records
- Interviews of key stake-holders