

Rourkela steel plant rolls out successful people strategy: Organization transformed into the pride of India

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Article information:

To cite this document: Rohini Sharma, Chandan Kumar Sahoo, (2012), "Rourkela steel plant rolls out successful people strategy: Organization transformed into the pride of India", Human Resource Management International Digest, Vol. 20 Iss: 7 pp. 16 – 19.

Permanent link to this document: <http://dx.doi.org/10.1108/09670731211270239>

Abstract

Purpose – Explains how leaders who initiate people-centric reforms can help to create a profitable, harmonious and vibrant organization.

Design/Methodology/Approach – Illustrates the point through a case study of the work of Sanak Mishra as chief executive of the Rourkela steel plant, India.

Findings – Describes the traits of effective leadership for handling people.

Practical implications – Advances the view that successful change initiatives require: people who have the tools and techniques to perform well; a shared vision between leaders and employees and the alignment of organizational goals with those of individuals; open communications across the organization to facilitate the sharing of the ideas, information and knowledge and build an atmosphere of trust; leaders who know how to empower people by delegating authority, and understand when to intervene; leaders who can network with external constituencies, troubleshoot and manage conflicts; leaders who can link the present with a better future for the organization; and leaders with the skills to create a supportive climate in the organization and the ability to influence employees to change their behavior.

Social implications – Considers the impact of wider economic forces on the fate of an Indian steel plant.

Originality/Value – Emphasizes that effective leaders are able to facilitate the free flow of ideas and tap the energy, commitment and imagination of employees, which then become the vehicle to increase productivity, profitability and the performance of the organization

Paper type – Case study

Keywords – Leadership; Empowerment; Employee relations; Communications; Organizational change; Steel industry

A steel plant that suffered recurring losses and defied all efforts to reshape its future was transformed into the pride of India through the arrival of a new chief executive.

Sanak Mishra, who took over at the Rourkela steel plant in May 2001, followed his vision with passion. Most importantly, he initiated a three-year change program that, rather than treating the employees as second-class citizens, put them at the forefront of the changes and involved them at every stage.

Rourkela, the first integrated steel plant in the public sector in India, was set up with German collaboration with a capacity of 1 million tonnes. It is the only Steel Authority of India plant that produces silicon steels for the power sector, high-quality pipes for the oil and gas sector and tin plates for the packaging industry. Its wide and sophisticated product range includes various flat, tubular and coated products.

In 1995, Rourkela went for modernization and expansion with the hope of catering to growing market needs. By 1998, all the modernized facilities and equipment were completed and the plant's capacity rose to 1.9 million tonnes. But the gains that could have followed were overshadowed by problems.

The international economy went into recession. In India and across the world, steel markets suffered overcapacity. Net sales realization fell by around a quarter in 2001. Competition was fierce. Many countries restricted steel imports to protect their domestic industries. At Rourkela, the problems were exacerbated by huge borrowing to fund the modernization.

Machinery downtime rose because of lack of maintenance. Relations between trade unions and management were put under strain. Lock-outs and stoppages were frequent. The company was failing to communicate its objectives clearly to employees. The workers lacked pride in their work yet resisted change.

Regenerating strength with people

Sanak Mishra had clear goals, a vision and a passion to shift the paradigm. He formulated a three-year-transformation program based on “regenerating strength with people”. He aimed to:

- improve labor relations;
- involve the employees in the change process through greater transparency;
- address issues directly with the workers, through an open forum at which they were invited to put forward solutions to problems;
- reduce machinery downtime through regular maintenance and work towards sustained

- operations and consistent production;
- use steel-industry performance benchmarks to drive improvement;
- develop leadership at every level;
- bring forward small investment schemes for maintaining current operations;
- strengthen secondary streams of cash generation; and
- reduce costs and improve margins.

Workshops were planned, to involve the entire workforce of almost 26,000 employees. Through these, management and workers could highlight their respective concerns, performance issues could be addressed and employees could suggest reforms.

Sanak Mishra's three-year turnaround strategy was a great success. It led to the following improvements:

- machine downtime fell because of regular maintenance;
- power consumption per tonne of saleable steel was reduced as capacity utilization increased significantly and wastage fell;
- the size of the workforce was reduced to make it leaner and more effective;
- discipline improved;
- employees took greater pride in their work as they were given credit for small victories; and
- product quality rose and plant safety improved.

Even today, Rourkela remains the most efficient of Steel Authority of India's plants.

Avoiding the fate of the organizational dinosaur

Organizations that do not change will quickly become corporate dinosaurs, headed for extinction because they no longer fit the current trading environment. While many change programs center on technology and systems, confronting the challenge of change requires equal focus on the human side. Leaders need to manage people successfully in order to make change a success.

Radical organizational changes tend to come from a strong, visionary leader. These people hold the key to restructuring and reinventing organizations and putting them on the path to prosperity and profitability.

Doing the small things right

Vibhuti Jha, president of the human-potential project, says: "Leadership is not about giving orders, crafting 'big' ideas, lofty goals, unattainable promises and glorified positions. It is about doing things right, however small they might seem in the beginning – preventing waste, making and fulfilling commitment, designing the future and putting up the architecture for supporting that design." (Jha , 2010).

The best leaders listen, motivate, provide support and mentor people. Successful leaders need to score highly on the intelligence quotient, technical and operational quotient, people quotient and emotional quotient.

The emotional quotient (EQ) is particularly important. It hones the skill of a leader to understand and manage people. It encompasses self-awareness, personal motivation, self-regulation, empathy and social awareness. Leaders with a high EQ succeed in nurturing the workforce and thereby enhancing performance, satisfaction and loyalty.

To prepare an organization for an uncertain and dynamic future, it is important to develop a strong leadership culture at all the levels in the organization. John P. Kotter (1996) states: “The key to creating and sustaining a successful twenty-first century organization is leadership – not only at the top of the hierarchy but also throughout the enterprise.”

At junior levels, potential leaders must be identified through performance reviews and given a chance to shoulder greater responsibility. Middle-level managers should be provided with project leadership, preferably at client locations. Senior managers should lead by example. They should be sent on executive courses to polish their managerial and leadership skills. Various workshops can be organized to develop leadership pools and sharpen people’s expertise in the organization.

Any change entails a degree of uncertainty. This can create anxiety in the minds of people regarding the future. Such anxiety could center on, for example, work allocation, power equations, the financial implications, possible redeployment or relocation, new skill requirements and job security.

Leaders can do much to quell this anxiety, and build trust and confidence, by articulating an appealing and compelling vision or sense of purpose. They should carefully explain the reasons for the change, how it will be implemented and its likely outcomes. Well-informed people throughout the organization can then take informed decisions, in the interests of the organization.

Each employee can contribute to the success of the organization

The leaders of winning organizations emotionally connect with their employees. These leaders can employ a wide variety of methods to communicate with the workforce – from face-to-face meetings to e-mails, circulars, the intranet and telephone. The aim must be to make people realize how important is job they are doing, the financial implications of not doing it properly and that each employee can contribute to the success of the organization.

Successful change initiatives require:

- people who have the tools and techniques to perform well;
- a shared vision between leaders and employees and the alignment of organizational goals with those of individuals;
- open communications across the organization to facilitate the sharing of the ideas, information and knowledge and build an atmosphere of trust;

- leaders who know how to empower people by delegating authority, and understand when to intervene;
- leaders who can network with external constituencies, troubleshoot and manage conflicts;
- leaders who can link the present with a better future for the organization; and
- leaders with the skills to create a supportive climate in the organization and the ability to influence employees to change their behavior.

Effective leaders crack impossible business deals, relate well to other people, grasp the softer nuances of working, deal with situations intuitively and stimulate employees to higher productivity.

Only action-orientated, charismatic leaders can lead employees through the ups and downs of the organizational life which accompany change projects in the twenty-first century.

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