

Business Manager

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Making HR People Complete

Salient Features
of **INDUSTRIAL
RELATIONS**
Code -2019



HR *for*
Non HR

Amit Das | Chandan Chattaraj | Dr. Arun Kumar Sinha | Dr. Sanjay Muthal |
Naveen Kumar | Dr. Jignesh Shah | Nadeem Kazim | Prashant Sharma |
Dr. Prasanth Nair | Sai Suryanarayana

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helpLINE

Anil Kaushik | Management Expert -HR & IR

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National research methodology workshop held at SVVV, Indore

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Making HR People Complete

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DECEMBER 2019 ISSUE

Be ready!

Very well picked up the cover story and the author's have very deeply comprehended the trends of 2019 that captured the HR world. Each one in some way has highlighted the impact of technological changes that will going to transform the HR function. The shift is clear. Old skills are not going to be relevant. Automation in people processes will dominate, be it talent management or performance management. The big question is are we HR people ready to take on?

Monika Sharma

It matters!

Pramod Singh's article on Power of Perception is unique and is an interesting read. Much of the conflicts can be resolved if every one checks his perception frequently and make corrective actions by understanding others thoughts with neutral perspective.

Lokesh Varma

Practical

Great Sir... The analysis of the case done by Rakesh Srivastav is really based on practical aspects...

Ravi Kumar

Valuable

Coaching well defined by Sandeep. Article carry acadmic value.

Ravindra Pareek

Informative

Article about performance review discussions by Yashwant Bhaid is very informative, practical and provide good learning. The essence of performance management is the effectiveness of mutual discussion with transparency and trust.

Rajiv Khatri

Qualitative

Another great issue of BM in the pipeline. Compliments for your perseverance, quality focus and intellectual richness.

Viren P Singh

Insightful

Great insights again on a very relevant topic. much interesting collection of intellectual minds. Kudos to team.

LS Murthy

Refreshing

A lot has been written on the recruitment process but what Subir Sinha has put in his article is quit refreshing and relevant. The writer very rightly cautions about the pit falls in selection process.

Govind R.

Best one

Case study section of the magazine is best one for me. It helps developing analytical skills and i have experienced it.

Archan Mehta



Good. Interesting subject.

Sanjeev Sharan

Good to explore experts views.

Gajendra Harishanker

Very detailed info.crisp and clear Salil.

Ajay Mahindrakar

God to read Subir Sinha article...

Dr. Partha Raut

Informative and impactful doc.

Vijay Kamath

Very well articulated views by Sunaina.

Rashmi Sachdeva

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FROM THE EDITOR'S DESK



Building HR competencies

When we enter into 2020 of fast changing business environment with new hopes, where managerial and leadership skills are also under transformation, certain things are still left behind and not much attention has been paid to fill the gap and complete the loop. One of the harsh realities is that still in most of the industries non HR managers have not been skilled enough to take on the people management issues. There is still a wide gap in perception that HR function is not for technical managers. This divide in technical and HR function has always made people issues more complex when it comes to their resolution. It has taken decades to make non HR managers understand that people function is not confined to only HR professionals.

What required is to orient non HR managers and align the perception with HR managers so that both think and act in the same wave length. Though HR is specialised in their function but non HR managers cannot afford to be away from people management skills like counselling, feedback, communicating with subordinates, peers and seniors, keeping their people in a team bonding and so on. Non HR managers have to sharpen these skills day by day while dealing with their people. They are the real HR managers because the workplace conflict is inevitable being employees representing different work styles and personalities and it is for them to build a positive workplace relationship and understand the nuances of interpersonal skills to resolve conflicts.

The problem is that neither technical managers have expressed interest towards these skills nor HR professionals or top management paid much attention to build HR competencies in non HR managers. They are kept restricted to meeting production targets and other operational activities. The foundation of the approach that we don't do HR is wrong. People are not retained by HR manager in organisation. It is their immediate manager who retains them and nurtures. He has to be a coach and mentor too in respect of his subordinates. Most of the issues erupt between employees and their managers when managers are not able to develop trust. They make unaccessible to them thus lose the respect. Employees don't look up at HR manager for all their issues. They look up at their managers.

HR Professionals in their organisation also need to play an important role in preparing non HR managers to deal with people issues effectively. They should be made fully aware of different employment laws, organisation rules, policies and empower technical managers to handle people issues independently at floor level. HR should play role of a facilitator only and non HR managers should be made accountable for managing their people issues.

This edition cover story depicts HR's importance for non HR and how by adopting a collaborative approach, HR function should be practiced at all levels to build an institution where human capital makes the difference. Industry experts and top HR professionals draw a road map by underlining its relevance.

If you like it let us know. If not, well, let us know that too.

Happy Reading and wishing you a progressive 2020!

Anil Kaushik



January 2020

Vol. 22, No. 7





Pawan Kumar Singh
Manager (Personnel), SAIL-ISP

Why **MAIL** should not **FAIL**

(This case study has been written in the backdrop of china Olympics and Subprime effect witnessed in 2008)

MAIL (Metal and Alloy India Limited) is a flagship steel company with its corporate office in Mumbai. It has four integrated steel plant in its fold. All the four steel plants are headed by CEOs who report to Chairman and Managing Director in corporate office.

CMD (Chairman & Managing Director) Sri Anirudh Suryavanshi invited all the CEOs and directors to chalk out future strategies and also to celebrate the company's spectacular performance as it had earned profit of 5000 cr straight in three consecutive years.

"What a marvellous performance said the CMD, we have outshined all our competitors. In this financial year (2001-02) we have produced 15 million tonnes of steel which is 2 million tonnes more than our target. It is indeed a milestone for us. For three consecutive years we have maintained our performance and profit."

"Friends as we know that steel industry is cyclic with its own ups and downs. Now the dull phase is over. There is great demand of steel across the globe. There is huge demand of steel for the construction of stadiums, sports village and other infrastructures for upcoming Olympics (2008) in China. Real Estate and infrastructure projects are booming all over the world particularly in Middle East. Housing, infrastructure and modernisation of railways in India are in full swing. All these development have opened up new vistas of opportunities for us and we need to cash in on this surge in the demand of steel. With our existing set up we would not be able meet the booming demand of steel. We need to expand the capacity of our existing plants through modernization. But modernization of our existing plant alone is not going to serve the purpose. We need to acquire a steel plant with 2.5 million tonnes crude steel production. Director Project Sri Adirath Abhimanyu

has been entrusted to scout for the steel plant to be acquired. Mr. Adirath, kindly throw some light on the extent of the accomplishment of the given task, said the CMD."

Director Projects- Sir, after due diligence finally my team has zeroed in on an integrated steel plant named KISCO (Kaveri Iron and Steel Company). It has its own iron and coal mines which can make us self-sufficient for the next 50 years. It is well connected through rail and roads. It is located on the bank of a river and has huge pile/cache of land. But it has following demerits

- 1) Militant Trade Union
- 2) Poor work culture
- 3) Very old plant and obsolete Technology
- 4) Huge liability.

CMD- I don't see any problem as we can manage IR issues. As far as ageing plant and obsolete technology is concerned, we can go for green field modernisation (green field project - the project which starts from scratch) rather than brown field expansion (brown field project-modernizing/ expanding the existing project). Let's have the view of our Director Finance.

Director Finance- Sir, Expansion of all our existing units, acquisition of KISCO and its subsequent green field expansion will put the organisation at risk as it would need Rs 70000 Cr which is 60 % more than the net worth of the company. Recently we have come out of the grip of patchy phase and on the top of that we have a debt of Rs 20000Cr. Cost of raw material has increased astronomically as we do not have any control over imported coals used in steel making. Wage revision of our employees will be due in next two years. Moreover, completion of expansion and green field modernization on time will be a herculean task. As per the data available, not a single green filed steel project has been completed on time resulting in cost escalation nearly by two fold. Ours is cyclic industry and the

1. Discuss about the leadership quality and business acumen of CMD.

2. How MAIL should come out of this difficult situation?

current boom may not continue for long.

CMD- Be optimistic, do not see the things from myopic vision. Steel industry is booming and this upward trend will continue for a long period. This is time when we can fill up our coffer. Let's cash on this golden opportunity.

Finally following decisions were taken to exploit the surge in the global steel demand

- 1) Brown field expansion in the four existing integrated steel plant.
- 2) Acquisition of KISCO.
- 3) Green field modernisation of KISCO.

In the next three month, blue print for the next course of action was prepared. After another six months, expansion of existing four units kick started along with the acquisition of KISCO. MAIL roped in NIXON Steel as consultant for the green field modernisation of newly acquired KISCO. Modernization of KISCO was expected to complete in 2005, three year before China Olympics.

NIXON steel is the subsidiary of construction and mining giant Jupiter Global Limited (JGL). JGL specialises in executing turnkey projects pertaining to infrastructures (Road, bridges, Dams and rail), Petrochemicals, power plants and high rise buildings. Recently its construction division forayed into executing EPC/turnkey projects for steel industry through its subsidiary NIXON steel. A part from construction, JGL enjoys monopoly in mining as the major chunk of coal and iron ores of the country is owned by the group. JGL is the biggest consumer of steel produced by MAIL. Similarly MAIL is also the

biggest consumer of coal and iron ores mined by JGL. Since both the companies are each other's biggest customer, they had signed an agreement to prefer one another in buying their products and services. By the virtue of the said agreement, NIXON Steel was appointed as a consultant with an estimated expenditure of 3000 crores for the green field modernization of newly acquired plant KISCO. The green field modernization of KISCO was expected to complete in 2005, three years before the china Olympics (2008). To make the trained manpower available for the new units to be commissioned through modernization and expansion, MAIL recruited 3000 employees. As mentioned earlier, NIXON steel was newly created subsidiary of JBL. It was a five year old company with expertise in brown field construction projects for steel industries. NIXON steel had never executed any

green field project in the past. In fact it did not have any expertise to execute green field projects of worth 3000 crore. With very little expertise and recourses, NIXON went ahead with the modernization of KISCO as the latter was cash cow for the former. It floated global tender and engaged 143 national and international contractors and sub-contractors for the execution of the project. With limited expertise and resources, NIXON failed to keep tab on the contractors and sub-contractors and so was the MAIL. As a result, the project was marred with delays. The project cost escalated from 3000 crores to 9000 crores. By the time the Greenfield modernization of KISCO and Brown field expansion of other four units of MAIL got completed in 2010, China Olympic was over and the global economy was hit by subprime effect. MAIL failed to cash on the booming steel

demand resulted from the surge in infrastructural projects across the globe and especially in china due to the upcoming Olympics games. With the onset of subprime effect, the global demand of steel came crashing down. The story did not end here. To add to MAIL's woes, the cost of imported coal sky rocketed due the flooding of mines in Australia and United States.

(Sixty percent of the coal used in Indian Steel industries is imported from Australia and United States. Imported coals are expensive and one of the most important raw materials used in steel making). WorkersUnions started demand for wage revision as it was due since 2008. With burgeoning debt, poor demand of steel, additional 3000 employees on the rolls, increasing cost of raw materials and demand for wage revision, MAIL was sitting on a ticking time bomb. **EM**

CASE ANALYSIS



Sandiep Grovar
Senior HR Consultant, Mumbai

I
Leader should listen to team also

Leadership Quality of the CMD

"In reality, there are very few villains who view themselves as villains. They just have a certain agenda at a certain time." -Michael Jai White

When the leader is hell bent on pushing his (hidden) agenda, irrespective of divergent views from the core team, then those team members are virtually not with the leader. These members would start to question the motives, words and actions. Soon the leader loses the trust and without trust, the leader loses his ability to influence others.

Some data provided in the current case: The CMD, Mr. Anirudh Suryavanshi, is upbeat about MAIL's

performance in a year - the company over-achieved its performance by 13% (that too for a year). Mind you, MAIL has a debt of 20000 Cr and the cost of this adventure was over 70000 crores, that were 60% more than the net worth of the company, as pointed out by Director Finance. Besides, the Director Finance also takes the help of data to point out that not even a single green field steel project has been completed on time.

But all this fails to cut any ice and CMD successfully pushes his agenda. As per the limited data given in the case, where CMD's conduct and leadership style is largely implied and not explicitly depicted in the case, the leadership style of CMD appears to be an Autocratic Leadership.

The CMD made a very risky decision without discussing or debating about the data presented by none other than his Director Finance. Let's imagine the stature of Director Finance. He must be a qualified professional with at least 20 - 25 years of post-qualification experience with proven performance to have reached this level. Having gathered authentic data on the company's financial performance and fate of other such green field projects over the past couple of years, the Director Finance deserved a much better chance to explain his stance and present a "Best Case" and a "Worst Case" scenario, to enable the CMD to take an informed decision. If this was done, I am sure, the CMD would have been better prepared and either not taken this

misadventure ahead or would be mindful of the facts and made enough checks and balances to ensure timely implementation of the projects, instead of an unpardonable delay of 5 years- that led to MAIL's current situation having missed the bus for 2008 Olympics miserably.

As against that, he is told curtly "Be optimistic, do not see things from a myopic vision". Whereas the Director Finance had not shared any of his personal views - he had only presented hard data!!!

Under such circumstances, leave aside, this astute professional, anyone

implemented, irrespective of the consequences - like in the current case.

Having said that, let's examine if autocratic leadership is always ineffective?

If the situation is of any emergency or where it's a small group having no leadership or in situations that are particularly stressful, such as during military conflicts - group members may prefer an autocratic style. This helps the members to focus on performing their specific tasks without worrying about making complex decisions.

project cost rising three times was suicidal by most moderate terms.

Another crucial decision seems to be selecting NIXON steel as the service provider, which did not have any experience to handle such mega projects. Their selection appears to be a wrong decision, since there is no data provided on the selection process of this key service provider - we can only concur that the CMD should have ensured that the selection process is impartial.

Given that MAIL performed very well during the preceding three years, the top management lead by CMD

should have done a detailed analysis to understand, if the company did something brilliant to earn 5000 crores or were the market conditions primarily responsible for such stupendous performance - given the cyclic nature of the industry. After doing this basic analysis, a joint decision either ways could have been a life saver for MAIL.

Ways to come out of situation

MAIL is in a precarious situation. They are in a financial mess, to say the least. Based on the data available in the case - the company has limited choices:

1) To reduce debts, it should look for such assets that can be

encashed. May be there is some extra land that can be sold or redundant P&M (KISCO may have certain P&M that has been replaced by the green field expansion)

2) Another option could be to sell off the acquired KISCO - given that the current market conditions are not very conducive, MAIL cannot expect a great deal but there may be buyers in the market, who may be scouting for a deal during the slump market conditions.

3) The IR scenario is again on the verge of a breakdown as the union has waited for 2 years for a wage revision. So the union needs to be formally informed about the financial condition of the company. They should be made an offer to help the management reduce the additional employees by way of a VRS and then be eligible for a discussion on wage increase. **EM**



can end up feeling that they have either no say or do not have any valuable input. People feel happier and perform better when they feel that they are making contributions to the future of the group. Since he was almost snubbed in front of many others, he and quiet probably many others who were passively watching him would also be feeling the same way.

Researchers have also found that autocratic leadership often results in a lack of creative solutions to problems, which can ultimately hurt the group from performing. Come to think of it, if I know that my (valuable) contributions are going to be snubbed upon, next time I will be looking the other way as ultimately only the ideas generated brilliantly by the CMD are going to be 'most practical', 'strategically right' and eventually

However, in the given case, this was not at all the desired style of leadership.

Business Acumen of CMD

The CMD, from the data provided in the case, appears to be having an average business acumen.

Business acumen demands intense mental activity. When the Director Finance presented the harsh facts to him, he should have done his calculation and understood if the company should be taking such an aggressive risk or no. A debt of 20000 Cr and an additional requirement of 70000 Cr is a herculean order by any standards. Business requirements warranted that this investment, even if someone makes it, taking huge risks - needed to generate revenues at the earliest. A delay of 5 long years that resulted in



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