

Indian Steel Industry: Current Business Trends and HR Interventions

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Abstract

Background Objective: A typical matured and labour intensive manufacturing industry like Indian steel Industry is on a transformation path for improving operational efficiency and creating value for the customer through leveraging its major strength i.e. Human Resource. The objective is to identify the HR interventions required at this juncture keeping in view the key business drivers. **Methods/Statistical Analysis:** Indian Steel Industry today is at a cross road. Global market and free trade agreements with other steel producing Nations, unbelievable pace of change in technology have impacted the Industry as never before. At this juncture it is imperative first to identify and analyze the Key Business Drivers and Current Business Trends. Based on the above two parameters as well as Strength and weakness of the industry, HR Challenges for the Industry can be identified. The HR challenges can lead to focused HR interventions required for the Industry to have competitive advantage in Global Market. **Findings:** Since the future and nature of work in the Industry is under rapid transformation, Indian Steel organization have to realize that the traditional approach of HR interventions so far being implemented in the Industry are losing their relevance. The HR challenges being faced by the Industry is different than the challenges in the past and hence have to be approached through new set of HR interventions. **Application / Improvement:** In this paper, a systematic approach has been attempted to identify HR Interventions required today by the Indian Steel Industry through focus on Key Business Drivers, Current Business Trends, SWOT analysis of the Industry, HR Challenges and HR levers.

Keywords: Business Trend, HR Levers, HR Interventions, Key Business Drivers

1. Introduction

The Indian steel industry is essentially divided in to two major product groups – the Long Product (Reinforcement bars, Structural, Wire rods and Rails) and the Flat Products (HR Coil, CR coil, Plates, Galvanized coils/Sheets). The technology required in the flat product is more advanced and more capital intensive than the long products which are low technology products.

The present competitors in the Indian Steel industry may be put into for major strategic groups

- The Integrated Steel Plants or the Main producers – These are fully integrated units of SAIL, TISCO and RINL. While SAIL is in both long and flat products, TISCO is primarily a flat product based company while RINL is a 100% long product plant.

- The Secondary majors – Consisting of the Ispat group, Jindal Group, ESSAR. They use a mix a technologies with much lesser degree of backward integration. All of these are mainly in the Flat product group.
- The mini steel plants using the electric arc or induction furnaces with low level of forward integration into rolling mills.
- The rolling mills – No backward integration into steel making. Essentially they buy semi finished steels and roll them.

In the secondary sector there are some small players which combine (c) and (d) and are hence relatively more integrated. Both the (c) and (d) group players are primarily in long products. Groups (a) and (b) consisting of 7-8 players account for 65-70% of total domestic capacity and nearly 90% of the Flat Steel products. The balance 30-35%

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of the market is in the (c) and (d) groups. These players occupy approx. 70% of the long product market. These part of the industry are characterized by very high level of fragmentation with more that a 1000 players in the market¹.

2. Objectives

The Indian Steel Industry today is going through a difficult phase where materials from other Major steel producing nations like China are being dumped into the country. Apart from threat from other substitutes like Aluminum, economic recession in other nations has started significantly affected the Indian Industry. The objective is to identify the HR interventions required at this juncture through a systematic approach.

As shown in Figure 1, the approach for fulfilling the objective will be primary initiated by identifying some of the critical drivers that is significantly affecting the steel industry and have set the current business trend based on which all the steel manufactures are getting remodeled and reoriented. These business trends along with strength, weakness, opportunity and threat being faced by the industry which can be derived through a SWOT analysis can facilitate identification of challenges emerging from the HR point of view to maintain high level of employee motivation. Analysis of the identified HR challenges can lead to HR levers for the steel company (i.e.) to gain sustainable competitive advantage and interventions required from HR point of view for the steel organizations for overall improvement.

3. Key Business Drivers

A cursory glance is imperative for focusing on some of the critical drivers that is significantly affecting the steel industry. The drivers those can be considered critical may be categorized as below:

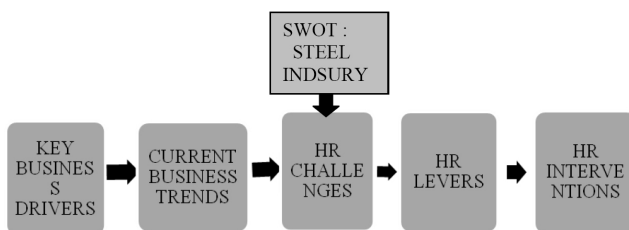


Figure 1. Thematic diagram of the approach.

- Globalised market and barrier free trade
- Unbelievable Pace of change of Information technology
- Intellectual capital increasingly assuming greater importance
- Corporate social responsibility
- Outsourcing
- Network economy i.e. intricate weaves of all stakeholders
- Demographic composition in workforce
- Efficient supply chain

4. Current Business Trends

The above critical drivers have set a business trend based on which all the steel manufactures are getting remodeled and reoriented. A typical matured and labor intensive basic industry like steel is on a transformation path for improving operational efficiency, optimization of cost and creating value for the customer through leveraging technology and human resource. Some of the trends seen in the industry are as below:

- E-Business through dedicated market place. Reducing transaction cost and time to market through online sales and purchase and delivery and increasing operating efficiency down the line.
- Forging close links to key customers through value added processing and exemplary services. In the process of developing new products and applications, the steel industry is building Relationships with customers and eventually, Partnerships in procurement, product innovation and development and marketing.
- Steel customers increasingly demanding total Solutions and co-development skills from their Steel suppliers. The increased value-added Processing they demand must be delivered by Steel manufacturers with significantly shorter Lead times and with greater technical support.
- The boundaries between distributor and Processor and between purchasing and processing are dissolving, while major players occupy a larger share in certain parts of the value chain.
- The customer is increasingly out sourcing activities and hence may not only expect the product, but the complete functionality and complete solutions. The steel manufacturers are in need to acquire these competencies, which may not be available internally.

- Ethical and responsible business: Market transparency and responsibility towards all stake holders including society and environment.

The business challenges/opportunities the steel organizations are facing today varies from various factors like to have a less labor intensive Slimmer Organization, handling higher volume of sales, vast technological changes, marketing of value-added products and services mindset of employees, talent and excellence commanding high price in the market, changed marketing structure with spread in the Rural Sector and in the remote corner of the country, a more demanding customer and new set of regulations for ethical and responsible business, allocation of iron ore mines, mineral taxation etc².

5. Indian Steel Industry

The Indian steel industry has entered into a new development stage from 2007-08 riding high on the resurgent economy and rising demand for steel. Rapid rise in production has resulted in India becoming the 3rd largest producer of crude steel in 2015. Whereas the industry has been blessed with a number of inherent advantages, at the same time also faces some crucial constraints. The SWOT analysis of the Indian Steel industry is shown at Figure 2. Availability of quality iron ore and processed inputs like sponge iron, skilled manpower with low wage level are the major strength where as high cost of power/energy, poor infrastructure for movement of raw materials/

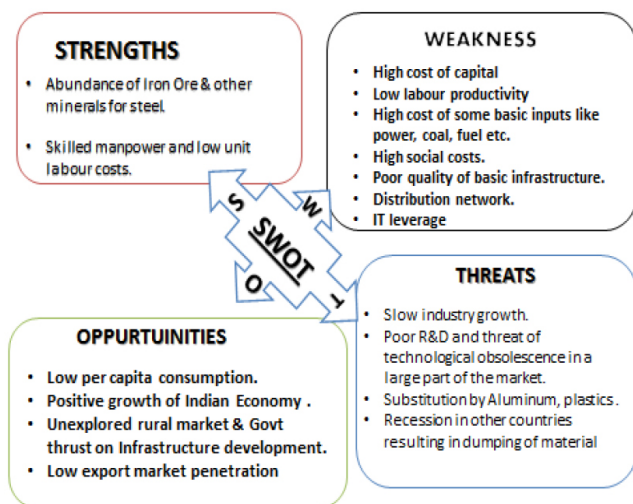


Figure 2. SWOT analysis of Indian Steel Industry.

finished products, high cost of capital and social cost, low productivity level, inadequate distribution networks continues to be the weakness of the industry.

The major threats the industry has to deal with are poor R&D and traditional technology, substitution threat by Aluminum and plastic, recession in major steel producing countries like China and Japan resulting in dumping of material in India. However, the low per capital consumption of steel in the country at 59 kg per annum compared to world average of 217 kg per annum provides a great growth opportunity for the industry. Unexplored rural market, positive growth in certain segments like automobile, ship building, consumer durables, roads and bridges, real estate are opportunities for the domestic industry to grow.

6. HR Challenges

In the above scenario the challenges emerging from the HR point of view are to maintain high level of motivation through providing learning opportunity, constant updating of skills and stronger understanding of business dynamics, having a Global Mindset, Need for creating and sustaining excellence in every sphere and inculcating a constant need for bench marking with the best in the world. Steel organizations today have to take a stock of their talent profile and devise methods to map and bridge the gaps with the desired for taking care of the challenges.

Attitudes and aspirations of today's employees are far different. Today's worker in steel plants are better educated, more efficient, ambitious and Desirous of self fulfillment through good performance. Therefore the challenges for managers have to focus on updating and integrating their goals with the Organizational objectives and bring about synergy between individuals and team efforts towards Organizations excellence.

Every organization has to nurture the two Market-based assets i.e. relational and intellectual. Relational market-based assets are those that reflect bonds between a company and its customers and/or channel members and which evolve with a period of time. The important aspect from HR prospective is to nurture the other market based asset i.e. intellectual market-based asset which is the detailed knowledge that company employees possess concerning their customers' needs, tastes and preferences. In the difficult times, it is the essential for the organization to have strategy to centre on its people. Organizations which

understand the relationship between people and profit are the ones which ultimately win in the long run³.

7. HR Levers

Keeping in view the degree of dynamism and challenges in steel industry in Indian Business environment, the following may be considered as decidedly powerful levers for the steel company (i.e.) to gain sustainable competitive advantage

- Creating Leaders across levels and Nurturing Talent.
- Creating a Culture of Innovation and Creativity.
- Ways of creating positive mindset for business growth on a continuous basis.
- Looking at issues from business rather than functional perspective.
- Global benchmarking of systems.
- Best practices across companies “beyond Steel”.
- Synergy amongst diverse human resources.

8. HR Interventions

It may not be out of place to mention that during the difficult times, when organizations resort to various cost control measures to improve their bottom line, the first casualty is usually HR interventions and training. However, training and HR interventions have immense business value and one of the major tools for improving its bottom line⁴. Keeping in view the influencing factors on business and human resource aspiration, some of the HR interventions which seem to be imperative to mitigate the challenges for a labor intensive industry like steel in Indian context are listed below in a tabular format for simplistic representation:

Influencing Business Factors	HR Interventions
High competitive Intensity	<ul style="list-style-type: none"> - Awareness on Business intelligence - IT- Network mgt/security and audit - Resource management - Project management - Business Intelligence
Bench Marking	<ul style="list-style-type: none"> Learning from each other Learning from global leaders International exposure exposure to industry’s best organization

Performance pressure	<ul style="list-style-type: none"> - Competence Mapping - Psychometric Test, Assessment/ Development centre - Counseling - Stress mgt - Change Management - Work – life balance - Time management
Change in Customer profile	<ul style="list-style-type: none"> - Retailing - e-marketing - Dealership
Training of extended workforce	<ul style="list-style-type: none"> Channels Development Customers training
M and A	<ul style="list-style-type: none"> Cultural integration Synergy Team Building
Talent retention	<ul style="list-style-type: none"> - e- Learning - Growth thro’ professional updation - Regular feedback mechanism
Innovation and creativity	<ul style="list-style-type: none"> - Forum for creative expression - Problem solving together
Execution excellence	<ul style="list-style-type: none"> Time management Resouse management Project management
Networking /alliances	<ul style="list-style-type: none"> - Membership of professional Bodies - Participation in seminars/ workshop
Knowledge management	<ul style="list-style-type: none"> Community of Practice Research Project study
IT for strategic benefit	<ul style="list-style-type: none"> - Professional updation of IT Group
Global Mindset	<ul style="list-style-type: none"> Exposure to management Concept Foreign Training - Looking to the future - Learning Orientation - Listening to external experts
Synergy	<ul style="list-style-type: none"> Team working skill Out Bound Learning Role appreciation
Leadership	<ul style="list-style-type: none"> Leadership Development Thinking skill i.e. ability to learn, cross discipline thinking, critical thinking, ability to connect ideas - Decision making skill in contemporarily operative environment - General Management - Business strategy - Commercial acumen
Recruitment / Induction	<ul style="list-style-type: none"> On Boarding ,Mentoring and coaching Knowledge sharing, on the job training
Professional Development	<ul style="list-style-type: none"> Functional (Skill and Knowledge) Domain expertise
Regulatory Environment	<ul style="list-style-type: none"> Statuary laws (Labor, welfare, environment, women, Stake holder’s right etc.) Corporate Governance

Organizational Values	Value and ethics CSR Special programme for women employees Programme for physically challenged
New setup/Wider network	Sharing of knowledge Learning from each other Orientation
Personality development	Self development Interpersonal skill
Employee engagement ⁵	Behavioral/attitudinal/motivational interventions
Systems and procedure	System s Audit
Employee participation	Communication Awareness campaign
Frontline development	Supervisory development Basic Skill enhancement
Stake holder prospective	Channel partners, customers group interventions

9. Conclusion

In an intensely competitive scenario, advantage can result either from Implementing a value-creating superior strategy not simultaneously being employed by current or prospective competitors or through superior execution of

the same strategy as competitors if strategically adoptable by the organization.

Superior competency and superior resources are fundamental for having competitive advantage. At the present scenario, while procurement of tangible resources is comparatively easier through various available sources for funding, global accessibility, what is more critical is to have a competent and dedicated workforce for execution of strategy. HR interventions play a far more critical role today in the context of steel industry which is already on a radical transformation path.

10. References

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