

# Steel Authority of India Ltd. - A Stakeholders Management Perspective

\* Shashank Shah \*\* A. Sudhir Bhaskar

## **ABSTRACT**

*In the recent times, details regarding the various theoretical aspects, principles and propositions of the Stakeholder Approach to Management have been developed. However, based on the literature review undertaken by the authors, there is an apparent dearth of frameworks for the purpose of integrating stakeholders into the managerial mindset of the corporations. This is because only when the needs of all the organisational stakeholders are integrated into the managerial decision making of the corporation will values and ethics truly flourish in any business. The recent scams and scandals in the corporate world have been attributed to the major flaw of over emphasizing the importance of the shareholders and neglecting the other stakeholders of the organisation. Such a pursuit of short-term gains has caused the downfall of many top multinational organisations across the globe.*

*The present study attempts development of a framework for Corporate Stakeholders Management by identifying the stakeholders of the corporation, enumerating their needs and translating them into objectives. Since all the objectives may not be as much demanding, the relative position for the fulfilment of these objectives has also been attempted, through the use of Unified Programme Planning, Value System Design and Interpretative Structural Model tools of Social Systems Engineering. Utilising the Case Study Approach, based on secondary data sources of the public sector steel giant Steel Authority of India Ltd. (SAIL), the above framework has been demonstrated.*

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\* Corresponding Author, Doctoral Research Scholar, School of Business Management, Sri Sathya Sai University, Vidyagiri, Prashanti Nilayam – 515134, Anantapur District, Andhra Pradesh

\*\* Dean, School of Business Management, Sri Sathya Sai University, Vidyagiri, Prashanti Nilayam – 515134 Anantapur District, Andhra Pradesh

## 1. Corporate Stakeholders Management – An Introduction

The historical roots of the 'Stakeholder' concept date back to the 1960s when academicians at the Stanford Research Institute (SRI International Inc.) first articulated what was considered at the time to be a controversial proposal (Stoney and Winstanley, 2001) and first used the actual word 'Stakeholder' (Freeman, 1984). The term 'stakeholder' was chosen as a literary device to call into question management's sole emphasis on stockholders (Freeman, 1999) and instead suggested that the firm be responsible to a variety of stakeholders, as without their support, the organisation would not progress.

Stakeholders of a corporation are those constituencies that affect and / or are affected by the organisation's decisions / behaviour. They have a stake in the organisation. It is common to refer to a company's *Employees, Customers, Owners, Suppliers, Local Communities, Competitors* and *Financiers* as major Stakeholders. In most cases, these Stakeholders both affect and are affected by the organisation. Other Stakeholders might include the *Media, Activist groups* and the *Government* which affect but are relatively unaffected by the Organisation.

Stakeholders Management refers to the organisational philosophy wherein the organisation's overriding aim / priority is to

contribute to its stakeholders' welfare during the organisational decision making process to the extent possible, within the constraints of justice, fairness and economic interests. Stakeholders Management is a very comprehensive concept, capable of both qualitative and quantitative analysis. It is a multidimensional approach and has multidisciplinary analytical applicability. It has as much relevance in the social sectors as it has in the corporate sectors. In order to ensure the welfare of all the organisational stakeholders, it is necessary to identify the stakeholders and their needs, and be able to integrate all these diverse needs into the decision making process of the organisation.

In the recent times, details regarding the various theoretical aspects, principles and propositions of the Stakeholder Approach have been developed by a number of scholars, researchers and academicians. Major among these are Freeman, Edward R. (1984), Carroll, Archie B. (1995), Wheeler, David & Maria Sillanpaa (1997), Berman, S.L.; Wicks, A.C.; Kotha Suresh & Thomas Jones (1999) and many others.

However, the above and other literature reviewed does not indicate any apparent framework or a model which allows the exercise of integrating the stakeholders' needs into the functioning of the corporate organisation. However, few case studies in the area of dam construction and water projects, infrastructure projects and the like have

been undertaken to demonstrate the integrated stakeholders approach.

The present study attempts development of a framework for Corporate Stakeholders Management by identifying the stakeholders of the corporation, enumerating their needs and translating them into objectives which provides the focus of the functioning of the organisation. Since all the objectives may not be at par, the relative position of these objectives is necessary. In order to realise this end, the Unified Programme Planning, Value System Design and Interpretative Structural Model tools of Social Systems Engineering [Warfield (1976) & Sage (1977)] have been used.

The framework is demonstrated through a case study approach and Steel Authority of India Ltd. (SAIL) – the public sector steel giant in India has been used to illustrate the same. The point to be noted is, the data and information used to illustrate the framework have been obtained from secondary sources such as the company's annual reports, chairman's statement, company's corporate governance reports, company's official website and the interpretation of the same is purely based on the understanding of the authors. The case study should be viewed as one to illustrate the steps involved in the framework development process rather than the working of the organisation alone.

## **Steel Authority of India Limited (Sail)**

### **2. Introduction**

#### **2.1 The Precursor**

SAIL traces its origin to the formative years of an emerging nation - India. After independence the builders of modern India worked with a vision - to lay the infrastructure for rapid industrialisation of the country. The steel sector was to propel the economic growth. Hindustan Steel Private Limited was set up on January 19, 1954. The President of India held the shares of the company on behalf of the people of India. The Company is now celebrating the Golden Jubilee of the commencement of production. It was on February 3, 1959, the President of India, Dr. Rajendra Prasad dedicated to the nation, the first blast furnace of Rourkela Steel Plant, followed by dedication of the first blast furnace of Bhilai Steel Plant, the next day.

#### **2.2 Holding Company**

The Ministry of Steel and Mines drafted a policy statement to evolve a new model for managing industry. The policy statement was presented to the Parliament on December 2, 1972. On this basis the concept of creating a holding company to manage inputs and outputs under one umbrella was mooted. This led to the formation of Steel Authority of India Ltd. The Company, incorporated

on January 24, 1973 with an authorised capital of Rs. 2000 crore, was made responsible for managing 5 integrated steel plants at Bhilai, Bokaro, Durgapur, Rourkela and Burnpur, the Alloy Steel Plant and the Salem Steel Plant. In 1978, SAIL was restructured as an operating company. Since its inception, SAIL has been instrumental in laying a sound infrastructure for the industrial development of the country. Besides, it has immensely contributed to the development of technical and managerial expertise. It has triggered the secondary and tertiary waves of economic growth by continuously providing the inputs for the consuming industry.

### **3. SAIL - Company Profile**

SAIL today is the leading steel-making company in India. It is the largest steel conglomerate in the country is a fully integrated iron and steel maker, producing both basic and special steels for domestic construction, engineering, power, railway, automotive and defence industries and for sale in export markets. SAIL produces its iron and steel at 4 integrated plants and 3 special steel plants, located principally in the eastern and central regions of India and situated close to domestic sources of raw materials, including the Company's iron ore, limestone and dolomite mines. The Integrated Steel Plants comprise Bhilai Steel Plant (BSP) in Chhattisgarh, Durgapur Steel Plant (DSP) in West Bengal, Rourkela Steel Plant

(RSP) in Orissa, Bokaro Steel Plant (BSL) in Jharkhand and IISCO Steel Plant (ISP) in West Bengal. The Special Steel Plants include Alloy Steels Plants (ASP) in West Bengal, Salem Steel Plant (SSP) in Tamil Nadu and Visvesvaraya Iron and Steel Plant (VISL) in Karnataka, totally 8 plants. Maharashtra Elektros melt Limited (MEL) in Maharashtra is a subsidiary of SAIL. The Company has promoted joint ventures in different areas ranging from power plants to e-commerce with organisations such as Tata Steel, NTPC, Bokaro Power Supply Company, Jaypee Associates, BMW Industries and Managanese Ore (India). A Special Economic Zone (SEZ) is also being developed at Salem, Tamil Nadu for which formal approval has been accorded by Government of India.

Ranked amongst the top 10 public sector companies in India in terms of turnover, SAIL manufactures and sells a broad range of steel products, including hot and cold rolled sheets and coils, galvanised sheets, electrical sheets, structurals, railway products, plates, bars and rods, stainless steel and other alloy steels. Some of the new products developed during 2007-08 include earthquake resistant TMT & wire rods with improved corrosion resistance, vanadium micro-alloyed rails for application in tracks for higher axle load at high speed, steel armour plates for the defence sector, etc. SAIL's wide range of long and flat steel products are much in demand in the domestic as well as the international market. This

vital responsibility is carried out by SAIL's own Central Marketing Organisation (CMO) and the International Trade Division. CMO encompasses a wide network of 37 branch sales offices across 4 regions, 65 warehouses and 26 customer contact offices. CMO's domestic marketing effort is supplemented by its ever widening network of rural dealers who meet the demands of the smallest customers in the remotest corners of the country. With the total number of dealers crossing 2000, SAIL's wide marketing spread ensures availability of quality steel in virtually all the districts of the country.

### **3.1 SAIL Consultancy and Research & Development Division**

With technical and managerial expertise and know-how in steel making gained over 4 decades, SAIL's Consultancy Division (SAILCON) at New Delhi offers services and consultancy to clients world-wide. SAIL has a well-equipped Research and Development Centre for Iron and Steel (RDCIS) at Ranchi which helps to produce quality steel and develop new technologies for the steel industry. Besides, SAIL has its own in-house Centre for Engineering and Technology (CET), Management Training Institute (MTI) and Safety Organisation at Ranchi. Their captive mines are under the control of the Raw Materials Division in Calcutta. The Environment Management Division and Growth Division of SAIL operate from their headquarters

in Calcutta. Almost all their plants and major units are ISO Certified.

### **3.2 SAIL – Vision**

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

### **3.3 SAIL – 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."

## **4. SAIL and Its Stakeholders**

### **4.1 SAIL and Government - Corporate Governance @ SAIL**

The philosophy of the Company in relation to Corporate Governance is to ensure transparency, disclosures and reporting that conforms fully with

laws, regulations and guidelines, and to promote ethical conduct throughout the organisation, with the primary objective of enhancing shareholders value while being a responsible Corporate Citizen. The Company is committed to conforming to the highest standards of Corporate Governance in the country. It recognizes that the Board is accountable to all shareholders and that each member of the Board owes his/her first duty to protecting and furthering the interest of the company.

The Government of India owns about 86% of SAIL's equity and retains voting control of the Company. However, by virtue of its '*Navratna*' status, enjoys significant operational and financial autonomy.

As a part of the Corporate Governance requirements, the Company has the Audit and Shareholders' Grievance Committees in place. Being a Government Company, the nomination and fixation of terms and conditions for appointment as Director is made by Government of India. As such, the Nomination and Compensation Committee has not been constituted.

#### **4.2 SAIL and Community - Corporate Social Responsibility @ SAIL**

SAIL recognizes that its business activities have direct and indirect impact on the society. The Company strives to integrate its business values and operations in an ethical and transparent manner to demonstrate its commitment to

sustainable development and to meet the interests of its stakeholders. The Company is committed to continuously improving its social responsibilities, environment and economic practices to make positive impact on the society.

##### **4.2.1 Corporate Social Responsibility Initiatives at SAIL – A Triple Bottom Line Approach**

SAIL has been a pioneer in the area of Corporate Social Responsibility (CSR). It has been structuring and implementing the CSR initiatives right from inception. The Company's business philosophy encompasses a triple bottom line approach covering the economic, environmental and social dimensions reflecting SAIL's commitment to building natural, human and societal capital. Anchored in the social context, SAIL's programmes have been developed to address the most basic capabilities for human development such as living a long and healthy life, being educated, and having a decent standard of living. By systematically addressing issues such as health and medical welfare, education, access to water, sanitation, power and roads, women's empowerment, generation of local employment, etc. at each of its plant locations, the Company has contributed to the human development. It has taken the initiative to develop 79 villages across 8 states as Model Steel Villages for providing medical and education facilities, roads, sanitation, income

generation schemes, etc. and such jobs in 13 of these villages have already been completed during 2007-08. These efforts which have been part of the SAIL's journey so far have seen the obscure villages of yesterday, where SAIL plants are located, turn into leading industrial centers in the country.

The Company has conducted more than 400 medical camps throughout the country benefitting over 500000 of needy population. The Company also has a policy to nurture talent in various sports, including athletics, hockey, football, archery, etc. Shri Sushil Kumar, Beijing Olympics bronze medalist wrestler and quarter finalist Shri Yogeshwar Dutt were identified by SAIL and extended financial support for preparations since January 2008. In recognition of its CSR initiatives, the Company has received numerous awards including the prestigious FICCI Award on 'Rural and Community Development Initiatives', presented by the Prime Minister of India.

### **4.3 SAIL and Environment - Environment Management @ SAIL**

The environmental organisation of SAIL has a highly sophisticated and multi-layered infrastructure catering to the diverse environmental implications arising from its multifarious operations. Since its inception in 1988, the infrastructural facilities have been developed to integrate the environmental

centres at plants, mines, Research and Development Centre for Iron & Steel (RDCIS) and Centre for Engineering and Technology (CET) with nodal agency at corporate level. Apart from providing assistance to the SAIL plants and mines on environmental issues, Environment Management Division (EMD) at SAIL has undertaken outside consultancy assignments on a commercial basis on the strength of its experience gained over the years.

The EMD ensures continual improvement in environmental protection and conservation, technological conservation and reduction of green house gas emission, thereby contributing to reduction in global warming. Trees have significant role in protection of environment and ecological balance thus acting as carbon sink. Extensive afforestation programme has been followed in all the SAIL plants and mines. 2.9 lakh saplings of various species have been planted during the year 2008-09. Apart from massive plantation programme, the division is also actively engaged in eco-restoration of degraded mining areas of over 200 acres at Purnapani, Barsua and Kalta. About 92,000 saplings have been planted in more than 100 acres of degraded areas of the above mines during 2008-09. Pisciculture has been done in the abandoned quarries at Purnapani and 5 lakhs fishlings have been released in the quarry water during the year.

### **4.3.1 Waste Management and Allied Initiatives**

SAIL, as a corporate citizen, is committed to achieve its business goals through sustainable growth. In this continuing endeavour, considerable amount of waste-recycling and reuse is being practised and sustained efforts are on to optimise resource utilisation and to keep pollution within the prescribed norms. SAIL has been one of the pioneers in terms of environmental awareness and management in the country. In the 1990's alone, SAIL invested nearly Rs. 1000 crore towards the integration of advanced eco-friendly technologies. SAIL has taken initiatives towards improving the energy efficiency of steel making operations, thereby bringing additional benefits of pollution control and reduction of Green House Gas emission. The initiatives help to contain global warming. To tap the carbon benefits under the Clean Development Mechanism (CDM) of the Kyoto Protocol agreement, 71 potential projects have been identified across plants. The Company is actively associated with fora like Asia Pacific Partnership for Clean Development and Climate, New Energy and Industrial Technology Development Organisation (NEDO) and International Iron and Steel Institute (IISI) for adoption of energy and environment friendly technology. Phasing out of ozone depleting substances has been taken up in the SAIL plants under a UNDP programme. The Company has also

been associated in promotion of renewable energy by facilitating installation of solar lights at various locations in and around Bhawanathpur and Tulsidamar Mines.

### **4.3.2 Energy Conservation**

Integrated steel plants are highly energy intensive in nature as the different steps involved in processing of ore for reduction, making and shaping of steel are highly endothermic and take place at elevated temperatures. The cost of energy accounts for nearly 30% of the cost of production of steel. Therefore, any savings in energy will reflect in substantial savings to the company. In view of this, the ongoing focus of SAIL is to reduce the specific energy consumption thereby improving the profitability and productivity of the Plants. Notwithstanding the modernisation programmes, energy consumption in SAIL steel plants has been taken up as a thrust area. The systematic efforts coupled with general awareness of importance of energy conservation, improved house keeping, improved operational practices have begun to yield positive results

### **4.3.3 Pollution Control**

In the process of steel-making, even with the latest technologies available, it is not possible to completely eliminate pollution in any of its diverse forms - air, water, noise or solid waste. Efforts to control the pollution menace are therefore being tackled in several ways.



## **4.4 SAIL and Employees - Human Resource Management @ SAIL**

SAIL has always believed that human resource is one of the most important resources and continues to work for its development. The Personnel function aligns its functioning and activities in tune with the business objectives and provides the desired support to all customers, internal and external. The thrust is on rationalisation of man power with focus on proper utilisation, rightsizing and reducing the labour cost to make the Company healthy. The HRD activities are focused on multi-skill training and enhancement of managerial competencies. Competency mapping for identification of skill gaps and training are initiated. Providing opportunity for open interaction, communication and feedback are the highlights of the HRD intervention. The interventions and coordination with different agencies have ensured a conducive industrial relations climate. As on December 2008, the Company employed 1,28,800 people.

### **4.4.1 SAIL Safety Policy**

SAIL is committed to:

- The safety of the employees and the people associated with it including those living in the neighbourhood of its plants, mines and units
- Pursue efforts in a sustained and consistent way by establishing safety goals, demanding

accountability for safety performance and providing resources to make safety programmes work.

### **4.4.2 SAIL Safety Organisation**

SAIL Safety Organisation (SSO), a corporate unit set up in 1988 at Ranchi, monitors and guides the safety, promotional, fire and occupational health services activities undertaken at different steel plants/units/mines/stockyards. To accomplish the aforementioned functions, SSO formulates and prepares appropriate safety policies, procedures, systems, action plans, guidelines etc. and follows up for their implementation and thereby helps in providing accident free work environment. Consistent efforts are also being made by SSO for competence building in the area of safety management through HRD interventions covering heads of shops, line managers, safety personnel and trade union leaders. A multi-disciplinary Safety Engineering Department exists in each of the steel plants and mines to look after their safety needs. The emphasis is on Systematic Approach to Safety Management. SSO is managing the secretariat of the Joint Committee on Safety, Health & Environment in the Steel Industry (JCSSI), a bipartite forum which addresses steel plant safety, health and environment issues with active involvement of management and central and plant level trade unions and provides guidelines to the member organisations like SAIL, TISCO, RINL, HSCL, Dastur Co., etc., on promoting safety, occupational, health and pollution control measures.

#### 4.5 SAIL and Customers – Marketing @ SAIL

The Central Marketing Organisation, with its headquarters at Kolkata, monitors its domestic market through an expanding network of stockyards, dockyards, branch sales offices and consignment agents while the International Trade Division looks after its export of world-class steel to as many as 70 countries across the globe, by establishing close liaison with buyers abroad. The Company is the only producer of extra-wide (up to 3200 mm) heavy plates, catering to the needs of the construction, automobile, shipbuilding, engineering and other sectors.

#### 4.6 SAIL and Shareholders - Financial Performance @ SAIL

For the year ending March 2008, SAIL's Market Capitalisation was Rs. 76309.14 crores while for the year ending March 2009 it came down to

Rs.39837.71 crores. India is ranked as the 5th largest steel producing country in the world, while SAIL is ranked as the 21st largest steel producer in the world during 2008 (Source: WSA). SAIL continues to be the largest steel producer of finished steel in India with around 1/5th of the market share.

SAIL generates revenues through 9 business segments: Bhilai Steel Plant (36.3% of the total revenues, before adjustments, during FY 2008), Bokaro Steel Plant (26.4%), Rourkela Steel Plant (16.1%), Durgapur Steel Plant (11.6%), IISCO Steel Plant (3.8%), Salem Steel Plant (3%), Visveswaraya Iron and Steel Plant (1.6%), Alloy Steel Plant (1.1%), and others (0.1%). As for FY 2008, India accounted for 97.3% of the total revenues while foreign countries accounted for the remaining 2.7%.

Some of the other major indicators of SAIL's Financial Performance over the last 3 years have been mentioned below in Table 1:

**Table 1 – SAIL Financial Performance**

FINANCIAL INDICATORS	2009	2008	2007
1. Networth (Rs. in crores)	27984.10	23063.57	17313.15
2. Net Sales (Rs. in crores)	43700.8	39768.18	34087.98
3. Profit After Taxes (PAT) (Rs. in crores)	6174.81	7536.78	6202.29
4. Earnings Per Share (EPS) (Rs.)	14.51	17.62	14.54
5. Dividend (%)	26	37	31

## 5. Awards for SAIL

SAIL bagged the SCOPE Gold Trophy for 'Excellence & Outstanding contribution to the Public Sector Management' for 2006-07. 51 employees of SAIL received Vishwakarma Awards 2006 - 43% of the total awards in the country. The Company was adjudged Best Employer - 2007 amongst PSUs by CNBC TV18 and Watson Wyatt and also bagged the Employer Branding Award 2007-08

at the Asia Pacific Human Resource Management Congress. It won the ICWAI National Award for Excellence in Cost Management 2008 in manufacturing sector - first position among PSUs. SAIL'S Quality teams won 8 Gold, 2 Silver & 2 Bronze medals at International Convention of Quality Circle 2007, Beijing – the highest number won by any Indian company. It was awarded the Golden Peacock Award 2007 for Corporate Social

Responsibility during the 3rd Global Conference of Social Responsibility at Vilamoura, Portugal and the Golden Peacock Awards for Combating Climate Change and for Occupational Health and Safety in 2008.

## 6. SWOT Analysis for SAIL

Steel Authority of India (SAIL) is engaged in the business of manufacturing and marketing steel and its allied products. SAIL is India's leading steel company with 14.6 million tons of hot metal capacity and a market share of 26%. The company is at competitive advantage because of its vertically integrated operations, helping it achieve benefits from economies of scale. Increasing consolidation in the steel industry, however, would create larger entities, which would result in intense competition resulting in decreased market share and earnings growth of the company.

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>- Leading Steel Company in India</li> <li>- Broad Product Mix</li> <li>- Captive Source of Raw Materials</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>- Government control</li> <li>- Weak presence in international markets</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- Joint ventures to improve top line growth</li> <li>- Expansion plans</li> <li>- Development of SEZ</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>- Consolidation in the steel industry</li> <li>- Economic or industry downturns</li> </ul>

## 7. Corporate Stakeholders Management Framework

### 7.1 Stakeholders, Needs, Constraints and Alterables (SNCA) Approach

The framework developed for SAIL for the purpose of Corporate Stakeholder Management is a part of the Social Systems Engineering Tools of Unified Programme Planning as developed by Warfield (1976) and Sage (1977). The definitions of the terms used in the framework as defined by the aforementioned authors are given below:

1. **Stakeholders** – Those Units / Elements which have a stake in the system under review/ analysis.

2. **Needs** – Those conditions requiring supply or relief and / or lack of something required, desired or useful.

3. **Constraints** – Those under which the Needs can or must be satisfied.

4. **Alterables** – Those elements pertaining to the Needs that can be changed, modified and / or managed.

Based on the above mentioned definitions the SNCA Analysis for SAIL is detailed in Table 2.

**Table 2 - S-N-C-A Identification – Stakeholder wise**

STAKEHOLDERS	NEEDS	CONSTRAINTS	ALTERABLES
1. SHAREHOLDERS	<ul style="list-style-type: none"> <li>• Improved Profitability</li> <li>• Growth</li> <li>• Transparency</li> <li>• Customer Loyalty</li> <li>• Enhanced Shareholder Value</li> <li>• Investor Grievance</li> <li>• Professionally competent top executives</li> </ul>	<ul style="list-style-type: none"> <li>• Recessionary Trends</li> <li>• Shortages</li> <li>• Depressed Markets</li> <li>• High Volatility</li> <li>• Exchange Rate Variation / Fluctuation</li> <li>• Accountability</li> <li>• Procedure for appointing Executive Managers</li> </ul>	<ul style="list-style-type: none"> <li>• Cost Reduction Programmes</li> <li>• Reduction in Borrowing</li> <li>• Cash Management</li> <li>• Cost Control</li> <li>• Revenue Maximisation</li> <li>• Techno-Economic Parameters</li> <li>• Exports</li> <li>• Operational Efficiency</li> <li>• Systems Improvement</li> <li>• Modernised Facilities</li> <li>• Better Capacity Utilisation</li> <li>• Capacity Enhancement</li> <li>• Internal Audit</li> <li>• Sales Volume</li> <li>• Technology Upgradation</li> <li>• Reporting / Disclosures</li> <li>• Salary Structure</li> </ul>

STAKEHOLDERS	NEEDS	CONSTRAINTS	ALTERABLES
2. EMPLOYEES	<ul style="list-style-type: none"> <li>● Industrial Relations</li> </ul>	<ul style="list-style-type: none"> <li>● Labour Costs</li> <li>● Rightsizing</li> <li>● Labour Productivity</li> </ul>	<ul style="list-style-type: none"> <li>● Multi Skill Training</li> <li>● Managerial Competencies</li> <li>● Employee Morale</li> <li>● Open Interactions</li> <li>● Proactive Interventions</li> <li>● Safety Audit</li> <li>● Workshops &amp; Training</li> <li>● Sports</li> </ul>
3. CUSTOMERS	<ul style="list-style-type: none"> <li>● Product Mix</li> <li>● Diverse Customised Requirements</li> <li>● Superior Quality</li> <li>● Satisfaction</li> <li>● Quality Assurance</li> </ul>	<ul style="list-style-type: none"> <li>● Competitive Environment</li> <li>● Cost Escalations</li> <li>● Competition</li> </ul>	<ul style="list-style-type: none"> <li>● Consultancy Projects</li> <li>● Modernised Facilities</li> <li>● Better Utilisation of Capacity</li> <li>● Cost Competitiveness</li> <li>● Market Orientation</li> <li>● Online Transactions</li> <li>● E-commerce</li> <li>● Innovation</li> </ul>
4. SOCIETY	<ul style="list-style-type: none"> <li>● Societal Contribution</li> <li>● Environment Protection</li> <li>● Corporate Responsibility</li> <li>● Ethical Conduct</li> <li>● Responsible Corporate Citizen</li> </ul>		<ul style="list-style-type: none"> <li>● Media Interaction</li> <li>● Effluent Discharge</li> <li>● Reduction</li> <li>● Reduction in water consumption</li> <li>● Vigilance</li> <li>● Responsible Corporate Governance Practices</li> </ul>
5. SUPPLIERS <sup>1</sup>		<ul style="list-style-type: none"> <li>● Supply Imbalance</li> <li>● Shortages of Inputs</li> <li>● Fluctuating Demand</li> </ul>	<ul style="list-style-type: none"> <li>● Optimising Purchases</li> <li>● E-procurement</li> </ul>
6. GOVERNMENT	<ul style="list-style-type: none"> <li>● Model Employer</li> </ul>		<ul style="list-style-type: none"> <li>● Reporting</li> <li>● Compliance</li> <li>● Systems &amp; Controls</li> </ul>
7. ENVIRONMENT	<ul style="list-style-type: none"> <li>● Improved Ecology</li> </ul>	<ul style="list-style-type: none"> <li>● Technology for iron ore exploration</li> <li>● Statutory Obligations</li> <li>● Adherence to Regulations</li> <li>● Infrastructure</li> <li>● Government Policies</li> <li>● Sustainable Growth</li> </ul>	<ul style="list-style-type: none"> <li>● Reporting / Disclosures</li> <li>● Safety Practices</li> <li>● Quality of work life</li> <li>● Systems &amp; Procedures</li> <li>● Production Planning</li> </ul>

<sup>1</sup> The Supplier Stakeholder was not mentioned in the case study due to lack of any information available on the same in the public domain. However, it has been included in the SNCA Analysis of the Company based on the authors' understanding

## 7.2 Consolidation of SNCA

After the identification of N-C-A for each of the stakeholders, consolidation of the same is undertaken. This is based on the information collected from the secondary sources and their understanding by the authors. All those needs, constraints and alterables for different stakeholders which are similar are then grouped together under one heading, thereby providing a more comprehensive and holistic view of the firm and its activities. The Consolidated SNCA for SAIL is detailed in Table 3.

**Table 3. Consolidated S-N-C-A**

STAKEHOLDERS	NEEDS	CONSTRAINTS	ALTERABLES
1.SHAREHOLDERS (INCLUDING FINANCIAL INSTITUTIONS) 2.EMPLOYEES 3.CUSTOMERS 4.SOCIETY / LOCAL COMMUNITY 5.SUPPLIERS 6.GOVERNMENT 7.ENVIRONMENT	1. Growth 2. Improved Profitability 3. Transparency 4. Customer Loyalty & Satisfaction 5. Shareholder Value 6. Superior Quality 7. Responsible Corporate Citizen 8. Model Employer 9. Improved Ecology	1. Recessionary Trends 2. Availability of Resources 3. High Volatility of Prices 4. Exchange Rate Fluctuations 5. Accountability 6. Low Labour Productivity 7. Competition (Indian & Overseas) 8. Fluctuating Demand 9. Compliance to Safety Standards / Regulations 10. Dumping 11. Infrastructure 12. Technology for iron ore exploration 13. Sustainable Growth 14. Government Policies	1. Cost Reduction Programmes 2. Financial Management 3. Exports 4. Operational Efficiency 5. Systems & Procedures 6. Capacity Planning 7. Sales and Purchase Management 8. Reporting 9. Multi Skill Training 10. HR Policies 11. Safety Practices 12. Conducting Workshops & Training Programmes 13. Sports Policy 14. Consultancy Projects 15. Systems for Innovation 16. Vigilance 17. Responsible Corporate Governance practices 18. Quality of work life 19. Production Planning 20. Health care Initiatives

### **7.3 Objectives Identification**

After identification of Stakeholders, Needs, Constraints and Alterables; the next step is the Value System Design - formulation of Objectives. The formulation of an Objective is done in the following manner:

- i. Satisfying the Needs of a Stakeholder
- ii. Satisfying the Needs of a Stakeholder within the boundaries of a Constraint
- iii. Satisfying the Needs of a Stakeholder by effectively managing the Alterable
- iv. Satisfying the Needs of a Stakeholder by effectively managing the Alterable within the boundary of the Constraints

The identification of the Stakeholder, their Needs, Constraints and various Alterables and subsequently formulating the objectives for the problem under consideration can prove to be a very effective tool for Stakeholders Management. The Objectives combine the stakeholders' needs, keeping in view the constraints and also the alterables available. This leads to a comprehensive and integrated view of the organisation and its objectives as regards each of the stakeholders.

The Objectives for SAIL have been identified based on the consolidated SNCA exercise and are given below:

- O1. To undertake Cost Reduction Programmes
- O2. To initiate effective Financial Management for improved Profitability
- O3. To ensure greater Transparency
- O4. To adopt effective Sales Management initiatives for higher growth
- O5. To implement appropriate Systems and Procedures
- O6. To improve Operational Efficiency for higher growth
- O7. To adopt HR Policies commensurate with the image of being a Model Employer
- O8. To improve Employees' Quality of life
- O9. To adopt exemplary Corporate Governance Practices
- O10. To implement effective Vigilance Measures
- O11. To ensure greater Customer Satisfaction and Loyalty
- O12. To provide Superior Quality Products & Services
- O13. To initiate Cost effective measures
- O14. To undertake Productivity improvement Training programmes
- O15. To be recognised as a Responsible Corporate Citizen

- O16. To ensure increasing Shareholder Value on a sustained basis
- O17. To ensure improved Ecology by undertaking Production Planning
- O18. To adopt appropriate technology for effective Environment Management
- O19. To meet Market Competition effectively
- O20. To ensure occupational Safety & Health of Employees

Note: This list of Objectives of the Company is illustrative and not exhaustive. In reality there may be more than the above indicated objectives.

Realising such large number of objectives is possible by undertaking activities which could be very large in number. Currently organisations undertake these activities through an organisational structure and with roles and responsibilities assigned to them. As the objectives and the activity sets become large, complexity results. This complexity which exists in organisations may well be understood by individuals in the organisation. However articulation of the same in an integrative manner is handicapped due to the operation of the 'Principle of Bounded Rationality'. Thus there is a need to provide the above information in easily understood and manageable form. Fortunately it is possible to develop a simpler relationship within the above objectives because of the transitivity

phenomenon. Warfield and Sage have proposed a matrix based method of capturing the complex relationship among the objectives into a simple interpretable structure of hierarchy. This is through **Reachability Matrix and Interpretative Structural Model (ISM)**. For the purpose of interpretation, the relationship has to have a meaning. In ISM it is termed as 'contextual relationship'.

The Reachability Matrix and ISM of SAIL is given in Table 4 below for a contextual relationship 'facilitate':



**Table 4 - Matrix Formation Based On Contextual Relationship Between Objectives**

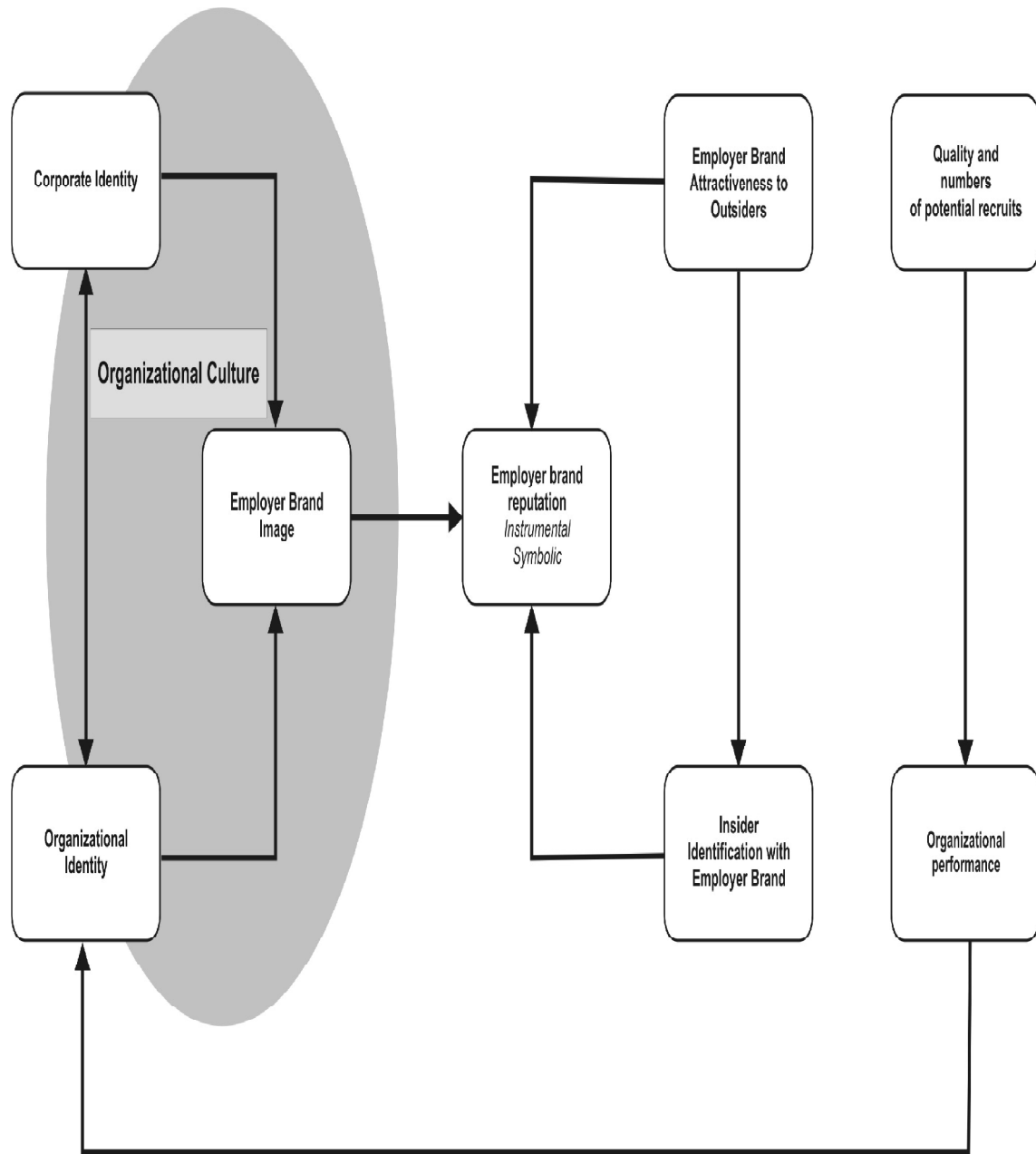
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>	<u>17</u>	<u>18</u>	<u>19</u>	<u>20</u>
<u>1</u>	1	1	0	0	0	1	0	0	0	0	0	1	0	0	1	1	1	0	1	0
<u>2</u>	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	1	0
<u>3</u>	0	1	1	0	0	0	0	1	0	0	0	0	0	0	1	0	0	0	1	0
<u>4</u>	0	0	0	1	0	0	0	0	0	1	0	1	0	0	0	1	0	0	1	0
<u>5</u>	1	1	1	0	1	1	0	0	0	1	0	1	1	0	1	1	1	0	1	1
<u>6</u>	0	0	0	0	0	1	0	0	0	0	0	1	0	0	1	1	1	0	1	0
<u>7</u>	0	0	0	0	1	0	1	1	0	0	0	0	0	1	1	0	0	0	1	1
<u>8</u>	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	0	0	0	1
<u>9</u>	0	1	1	0	0	0	0	0	1	1	0	0	0	0	1	1	0	0	0	0
<u>10</u>	0	1	1	1	0	0	0	0	0	1	0	0	0	0	1	0	0	0	0	0
<u>11</u>	0	1	0	0	0	0	0	0	0	0	1	0	0	0	1	1	0	0	1	0
<u>12</u>	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	0	0	0	1	0
<u>13</u>	1	0	0	0	0	1	0	0	0	0	1	1	1	0	1	1	1	0	1	0
<u>14</u>	0	0	0	1	0	1	0	1	0	0	0	1	1	1	1	1	1	0	1	0
<u>15</u>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0
<u>16</u>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0
<u>17</u>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0
<u>18</u>	1	0	0	0	1	1	0	0	0	0	1	1	1	0	1	1	1	1	1	1
<u>19</u>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0
<u>20</u>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1

Note: The responses '0' or '1' are based on the question asked:

"The realisation of the objective O<sub>i</sub> **FACILITATES** the realisation of the objective O<sub>j</sub>."

The legend for the following ISM Diagram is also the same.

**Figure 1. Interpretative Structural Model - Diagram**



## 7.4 ISM – Explanation and Interpretation

Based on the Interpretative Structural Model, various interpretations and inferences can be drawn. These will facilitate in the understanding of the relationships which exist between the various objectives of the company. The fulfilment of which objective helps in the fulfilment of which other objectives and the hierarchical nature of the fulfilment of the objectives is depicted. Also the base objectives – the fulfilment of which is the first step and the apex objectives i.e. the fulfilment of which is achieved through the fulfilment of all the other objectives of the organisation are also identified.

There are 18 objectives and 8 levels in the Interpretative Structural Model of SAIL. The following are the observations for the same:

- At the base level there are three objectives – O9 à To adopt exemplary Corporate Governance practices, O18 à To adopt appropriate technology for effective Environment Management & O7 à To adopt HR Policies commensurate with the Image of being a Model Employer and the two apex objectives are O19 à To meet Market Competition effectively & O16 à To be recognised as a Responsible Corporate Citizen.
- The realisation of the objective O5 à To implement appropriate Systems &

Procedures is **FACILITATED BY** the realisation of the objectives O18 à To adopt appropriate Technology for effective Environment Management **AND** O7 à To adopt HR Policies commensurate with the image of being a Model Employer.

- The realisation of the objective O7 à To adopt HR Policies commensurate with the image of being a Model Employer **FACILITATES** the realisation of the objective O14 à To undertake Productivity improvement Training programmes.

Effective HR Policies would also include training the employees in a manner which will improve the productivity of the organisation. This is very essential for a public sector company like SAIL and hence this relationship is established at the initial levels of the ISM.

- The realisation of the objectives O9 à To adopt exemplary Corporate Governance practices **AND** O5 à To implement appropriate Systems and Procedures **FACILITATES** the realisation of the objective O10 To implement effective Vigilance measures.

It is very appreciable that an organisation like SAIL has Corporate Governance as a base objective. If effective Corporate Governance

policies are and the necessary systems and procedures are put into place, the required committees and sub committees are constituted, independent and non – executive directors are put on board of the company, then automatically vigilance of the organisational activities is facilitated.

- The realisation of the objective O13 à To initiate Cost effective measures is **FACILITATED BY** the realisation of the objective O5 To implement appropriate Systems and Procedures **AND** O14 à To undertake Productivity improvement Training programmes.

The Training programmes help in improving the Organisational Productivity through Employee Efficiency and the Systems and Procedures make the process more smooth and effective. This facilitates cost reduction and cost effectiveness results in the functioning of the organisation. One heartening feature is that this public sector unit is not looking for cost reduction measures without other objectives in place.

- The realisation of the objective O13 à To initiate Cost effective Measures **FACILITATES** the realisation of the two objectives O1 à To undertake Cost Reduction programmes **AND** O11 à To ensure greater Customer satisfaction and loyalty

Cost reduction programmes would be the logical outcome of initiating cost effective measures by the organisation. When the products and services are made available to the customers at reasonable prices, which is possible through internal cost reduction measures by the organisation, the customers will feel that they are getting value for money and hence will be satisfied with the purchase and will continue to do so in the future too thus leading to Customer loyalty.

- The realisation of the objective O10 à To implement effective Vigilance measures **FACILITATES** in the realisation of the twin objectives O3 à To ensure greater Transparency **AND** O4 à To adopt effective Sales Management initiatives for Higher Growth

Effective Vigilance measures will seal the loop holes within the functioning of the organisation thus leading to greater transparency and accountability. Since SAIL is a public sector organisation and the one which provides the inputs for a number of other industries, it invites bids from a number of suppliers and also sends bids to a number of potential customers. This is the situation after the Steel Control Act is abolished. This facilitates effective Sales Management as there is greater Transparency and Accountability by the organisation to the public.

- The realisation of the objective O2 à To initiate effective Financial Management for improved Profitability is **FACILITATED BY** the realisation of the objectives O3 à To ensure greater Transparency **AND** O11 à To ensure greater Customer Satisfaction and Loyalty.
- The realisation of the objective O3 à To ensure greater Transparency **FACILITATES** the realisation of the objective O8 à To improve Employees' Quality of life which in turn **FACILITATES** the realisation of the objective O20 à To ensure Occupational safety and Health of the Employees.

When Transparency exists in the functioning of the organisation, there is automatic reduction in the mismanagement of organisational funds and resources. This will logically help in effective Financial Management. Also when the customers are satisfied and loyal, the organisation will be benefited from the increased purchases, leading to greater turnover and revenue, this coupled with cost effective measures which have been initiated by the company at the previous level will also lead to effective Financial Management and improved profitability.

Greater Transparency in the functioning of the organisation will ensure that there is no exploitation of the employees and their welfare is also ensured and taken care of. This will improve their quality of life. This is also facilitated by the HR Policies of the organisation occurring at level 1 itself.

When the quality of life of the employees is taken care, of the occupational safety and health will also be enhanced. Safety is an integral part of SAIL and SAIL has a Safety Policy which details out the measures it takes to ensure the Employees' health and welfare while at work and even thereafter.

- The realisation of the objective O1 à To undertake Cost reduction programmes **FACILITATES** the realisation of the objective O6 To improve Operational efficiency for higher growth.
- The realisation of the objective O12 à To provide Superior Quality Products & Services is **FACILITATED BY** the realisation of the objectives O4 à To adopt effective Sales Management Initiatives for higher growth **AND** O6 à To improve Operational Efficiency for higher growth.

Cost reduction programmes will work towards optimal utilisation of available resources – both human and material. This coupled with productivity improvement will boost the operational efficiency of the organisation and contribute towards higher growth.

Effective Sales Management and greater Operational Efficiency will lead to superior

quality products and services. Operational Efficiency contains costs which will give better price to customers. Sales Management involves keeping track of the changing requirements of the customers and not just specifications. Thus both these objectives facilitate O12.

This in turn leads to the achievement of one of the apex objectives which is O19 à To meet Market competition effectively.

There is a lot of competition in the markets SAIL is operating from private players who have a number of advantages over a public sector organisation which has a number of social obligations to fulfil along with being profitable. Hence superior quality goods provided by SAIL which will be used by the customers as inputs for further manufacturing processes is one way of meeting market competition effectively. The other way is through providing consultancy services which SAIL is doing through its consultancy division SAILCON both in India and abroad. Both these will help SAIL to meet market competition effectively.

- The realisation of the objective O16 à To ensure increasing Shareholder Value on a sustained basis is **FACILITATED BY** the realisation of the two objectives O2 à To initiate effective Financial Management for

improved Profitability **AND** O6 à To improve Operational Efficiency for higher growth.

Reduced costs through operational efficiency and improved profits through effective Financial Management will contribute towards ensuring increased Shareholder Value. Shareholders' Value will be enhanced when they receive improved Dividends on a sustained basis which is possible to be achieved through the previous two objectives.

- The realisation of the objective O17 à To ensure improved Ecology by undertaking Production Planning is **FACILITATED BY** the realisation of the objective O6 à To improve Operational efficiency for higher growth.

Improved Ecology is very necessary for SAIL because the steel industry is involved in a number of mining and other allied activities and hence preservation and prevention of damage to the environment forms one of the important responsibilities of SAIL. Operational Efficiency is achieved through appropriate technology for effective Environment Management, appropriate HR Policies, cost effective measures and productivity improvement Training programmes. All these contribute towards ensuring improved Ecology through appropriate Production Planning.

- The apex objective O15 à To be recognised as a Responsible Corporate Citizen is **FACILITATED BY** the realisation of all the four level 6 objectives O20 à To ensure Occupational Safety & Health of Employees, O12 à To provide Superior Quality Products & Services, O16 à To ensure increasing Shareholder value on a sustained basis **AND** O17 à To ensure improved Ecology through Production Planning.

SAIL is one of the Nav Ratnas started by Prime Minister Jawaharlal Nehru to set an example by being a Model Employer and for fulfilling a number of other social obligations as a state owned enterprise. Hence it is very appreciable that being a responsible Corporate Citizen has emerged as an apex objective for SAIL.

Responsible Corporate Citizenship for a public sector organisation involves much more than it would for a private sector organisation. Hence, ensuring the health and safety of employees in an accident prone industry like steel manufacturing is part of its responsibility.

Providing superior quality goods and service to the customers so that the products in which steel is used as inputs also emerge of superior Quality. The construction and housing

industry, shipping and aircraft industry, the infrastructure and transportation industry are all dependent on steel as a very important input. Thus, good quality steel will have a multiplier effect on the entire economy.

The shareholders who have provided the necessary funds have also to be rewarded appropriately and this too forms a part of the responsibility of SAIL.

Also, ensuring improved Ecology and that too through appropriate Production Planning is also very essential. As mentioned before steel industry is prone to damaging environment in a number of ways right from procuring raw materials from the mines, till the pollution generated in the production and processing processes, the organisation needs to be very cautious and sensitive to the needs of improved ecology for the larger benefit of the society as a whole.

Thus all of these contribute towards the realisation of the apex objective of SAIL.

## 1. Observations

At various levels across the ISM of SAIL we see that there is a lot of criss crossing for the attainment of the objectives and the attainment of one objective is dependent on the attainment of a

number of objectives at the previous level. There is a lot of complexity which exists in the functioning of the organisation and the organisation has not been able to absorb all of it. This is to certain extent understandable because SAIL is a public sector undertaking and has its own limitations and constraints due to the direct influence of the government on its functioning and the change in the governments and their philosophies also having its impact on the functioning of the organisation.

The ISM developed through this exercise acts as an excellent tool of communication to the managers and executives working at different levels of management hierarchy within the organisation regarding the objectives of the organisation. It enables them to know how the work done by them at their level contributes in the final achievement of the organisation's vision/mission. This helps in gaining greater role clarity and purpose. The ISM also indicates the focus, relationship and relative positioning of each of the stakeholders' objectives in the total management of the organisation.

## 2. Conclusion

An attempt has been made through this paper to propose a framework for Corporate Stakeholders Management through the case study of SAIL. The framework bridges the gap existing in the current management literature regarding the availability

of a comprehensive framework for Corporate Stakeholders Management. The framework can be further validated through data gathered by actual interaction with the Company executives at various levels.

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