

Value Creation in the Cement Industry : A Human Approach

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About the Authors

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Synopsis

Very few companies in the Indian Cement Industry have realised the importance of utilising the **Value Potential** of their people. In this paper, the authors highlight the imperatives of the global environment, focus on the challenges confronting the domestic cement industry, enunciate the necessity to address the core process area called Human Resources and trace a series of action - oriented steps through which this potential power can be unleashed. In conclusion, they dwell on their experiences in facilitating the transformation of human energy, from the potential to the kinetic!

The Emerging Scenario

The challenges faced by the World today can be summed up by 3 Cs, **Competition, Customerisation and Change**. Intensifying competition and the comparative ability or inability of a company to handle the same, is leading to a shakeout of the weaker players. This is being manifested in the escalating trends visible in Mergers & Acquisitions. Customers, with access to increasing choices, are more discerning and demanding. Their loyalty can no longer be taken for granted. The pace of change, in virtually every form of business activity, is indeed mind-boggling. The consequence is a host of new opportunities and threats. The tools to face these challenges can ironically be summed up by another set of 3Cs, **Creativity, Commitment and Collaboration**. The solution can come from only one source - **the people**.

Indian Cement Industry

The challenges faced by the Indian Cement Industry are multi-dimensional in character. While the rate of demand growth, excluding perhaps some sectors in the East, continues to be high, capacity addition is taking place at an even

faster rate. Some regions of the country are thus faced with a severe glut, resulting in abjectly low prices. Product profiles are also undergoing a market-driven change with an ever-increasing demand for stronger, and yet stronger, cement and an accelerated use of pre-fabricated materials and concrete products. A quantum leap in the feasibility and acceptability of Ready Mix Concrete is already visible. The private institutional market is growing at a much faster pace as compared to the other market segments. Choking of surface transport modes is leading to an increased use of sea routes for both incoming and outgoing materials. Bulk transport is also likely to significantly increase in the very near future. Increasing energy costs, make reduction of fuel and power consumption, a necessity. 650 kcal / kg clinker and 80 kwh / t cement, are the benchmarks for the immediate future. Captive generation is no longer a luxury. Process control linkages are becoming a norm. New capacities are being increasingly based on complex raw material and sometimes marginal deposits. Productivity gains by adopting larger unit capacities are being offset by low consumption densities and prohibitive freights to market.

Value management is thus no longer sufficient to guarantee success. Value creation has become imperative. Value creation is a human process. It needs a logical framework for implementation, creative thinking, and a high level of commitment and collaboration. It requires a focused enhancement in the intrinsic value of the people in this industry. Such an enhancement can be achieved by maximising the use of their intrinsic **Value Potentials**. The objective is to build a people-ethos based on team spirit, ownership, quality thinking and a fierce desire to excel.

Addressal of Core Processes

A **core process** is generally defined as an activity domain that has a high potential for improvement. It is generally recognised that the success of any company depends on addressing these core processes. The fewer are the number of core processes, the more manageable is it to address them. Understanding and mastering these processes and realising their improvement potentials constitute the key towards achieving sustainable improvement in performance.

Generally, each core process in a company, is distinguished by three crucial elements. These are :

- **Value Potential** that measures the extent of improvement that can be achieved in performance, by cognitively addressing a particular core process.
- **Multiplication** that refers to the repeated application of a procedure, identified for exploiting a **Value Potential**, on an enterprise-wide level, to speedily disperse consequent benefits.
- **Promoters** who are the people who actually make the realisation of **Value Potential** and multiplication happen.

In order to address a core process, it is vital that each of the above elements be identified and a well-conceived plan be formulated to institute realisation-oriented activities on the same.

Human Resources Excellence - The Vital Core Process

Two major reasons dictate a recognition of the fact that **Excellence in Human Resources** constitutes the most important core process for any company :

- Significant changes, as shown earlier in this paper, are occurring in the environment. Of particular concern are their expected implications on Human Resources.
- People and people alone are the prime movers for securing and sustaining change.
- Between capital, technology, information and manpower, it is the last named resource, which has arguably received the least attention in the past.

Consequently, if we revert to our definition of a core process, it is in this domain where the achievable **Value Potential** is, perhaps, the maximum.

Addressing Human Resources Excellence

At the risk of sounding prescriptive, the authors recommend the following logical steps in addressing this vital core process :

- **Direction Setting**

The sequence of activities that need to be carried out includes :

⇒ **Identification** through a detailed SWOT analysis, respective **Value Potentials** in the five components of the Human Resources Function, namely Structure, Head Count, Systems, Training and External Linkages.

⇒ **Classification of Value Potentials** thus identified, in terms of :

- * Current status
- * Short - term goals (say, within one year)
- * Long - term goals (beyond one year)

⇒ **Prioritisation** of the short - term / long- term goals for **Value Potentials** in order to derive implementation focus for the Core Procedure. In this context, a Core Procedure is defined as a logically structured network of tasks, designed to achieve an identified **Value Potential**.

- **Process Structuring**

The logical activities that need to be carried out in this step are :

⇒ **Identification** of exclusive functions in the company such as operations, marketing, etc. where realisation of the **Value Potential** from Human Resources can significantly improve performance.

⇒ **Componentisation** of the function, thus identified, in terms of the detailed tasks performed by people in each.

⇒ **Generation** of a matrix of Tasks versus **Value Potential**. The cells of this matrix would contain, in a parametric / non - parametric representation, the contribution of each task towards the achievement of the specific **Value Potential**.

⇒ **Consolidation** of tasks which contribute significantly to each **Value Potential** into Core Procedures

⇒ **Network definition** of tasks constituting each Core Procedure in order to gain clarity on sequential structuring.

- **Energising**

The success of any strategic intervention is governed by the effective dovetailing of hard (head related) and soft (heart related) factors. Thus, energising, aimed at promoting Ownership through Empowerment, is absolutely vital as the next logical step. The process of empowerment may be defined in terms of the following building blocks :

⇒ **Energisation through Communication**. Apart from Management Workshops, PIP's and so on, the importance of Information Technology towards achieving this, cannot possibly be overstressed. Lotus Notes, is perhaps, a right step in this direction.

⇒ **Energisation through Working Methods** that needs no further elaboration.

⇒ **Energisation through Empowerment**. Attention here, is drawn to the possibility of designing an Empowerment Measuring Tool that would follow the principles of game theory.

A series of **Custom-Made Workshops**, more internal than external, aimed at promoting and owning change, is imperative, in order to provide the necessary impetus towards this vital step of Energising.

It may be mentioned here, that Energisation is a key activity in the context of the role of **Promoters**, as discussed earlier, in owning and promoting the change process.

- **Redesign of Process Structure**

Having completed Process Structuring as well as Energising, the next logical step is to develop, through involvement, the actual Redesign of the Process Structure. The activities involved here would include :

- ⇒ **Identification of redundant tasks** that have either nil or minimal contribution towards achievement of **Value Potentials**.
- ⇒ **Detailing of new tasks** that till now had never been performed, but which are necessary towards building a consolidated core procedure.
- ⇒ **Redesign** of core procedures in light of the above omissions and inclusions.
- ⇒ **Organisational Redesign** to conform to the above core procedures and thus dispensing with, if necessary, the normal functional structure.
- ⇒ **Benchmarking** of the performance levels expected from the various core procedures, in view of the industry standards sought to be attained.
- ⇒ **Redefining** the methods for executing the constituting tasks in order to achieve higher standards of task efficiencies. Needless to say, the target efficiencies would conform to the performance level expected from each core procedure.

- **Results of the Conception Phase**

At the culmination of the **Conception Phase**, what would have been achieved, is the efficient definition and structuring of **Tasks** which constitute the different **Core Procedures** which seek to attain target values of performance expectations in different time frames (short / long term) for exclusive **Value Potentials** which have been identified.

- **Logical Steps in the Implementation Phase**

This phase would obviously be geared towards putting into action the results of the Conception Phase. The activities involved would include :

- ⇒ **Determination** of constituting Improvement Projects that would need to be executed to achieve targeted levels of task efficiencies.
- ⇒ **Enlisting** of Modification Projects necessary for dropping redundant tasks and including new tasks.
- ⇒ **Classification** of the above projects in terms of their amenability for inclusion into the overall company strategy.
- ⇒ **Action Planning** for each Strategy Classified Project Action in terms of the Objective, the Strategy, the Expected Benefits, the Risks, the Preconditions, the Assumptions, the Support Requirements and the References to Past Experiences.

After implementation, albeit in a pilot operation, the results of implementation would need to be communicated to other operations in order to attain the **Multiplier** effect. The platform for communication could be the normal channels followed in the company. The **demonstration impact of success** is vital in overcoming entry barriers and the natural resistance to change.

Holtec's Experiences

The authors of this paper have been involved in several successful **restructuring initiatives** in the Cement Industry in India and abroad, targeted towards exploiting the **Value Potential** in Human Resources.

Adoption of Holtec's proprietary team-based **COMP structure** has been applied to re-orient the current vertical, functional structure to a re-engineered, process-based organisation focused on **knowledge management** and **continuous improvement**. The result has been synergistic team development working towards creating a **learning organisation**.

The primary benefit has been enhanced value utilisation. Re-engineering has led to greater process efficiency and effectiveness. Downsizing is just one of the many benefits. Ownership of processes, building of experiential databases and a marked improvement in work methods have resulted in enhancing competitive advantages.

Structural interventions have been inevitably supported by parallel modifications in Training and Systems. Attitudinal training, aimed at creating

the will to excel, has received major attention. The attraction, retention and performance management of people have been focus areas for re-orienting Human Resource Systems.

The experience of the authors confirms, that the energy unleashed by a radical re-design of Human Resources Function is virtually limitless. The choice of ignoring this critical dimension is no longer available.