

## FOSTERING TRUST THROUGH COMMUNICATION

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### CHALLENGE

The liberalization of Indian economy in 1991 opened doors for importing coal from other countries. Whilst it brought joy to the consumers, it spelt trouble for Singareni Collieries Company Limited (SCCL) headquartered in Kothagudam, Telangana. The administered coal prices dictated by government became unattractive for SCCL's customers. Moreover, the labour-intensive underground mining was rendered unproductive by high absenteeism at Singareni. To add to its woes, there were about two strikes every working day in the collieries owing to multiplicity of unions at SCCL. Over 100 unions squabbled for supremacy making unreasonable demands from management which often ended up in strikes. Unfortunately, any disciplinary action to restore peace and order led to industrial unrest.

The wildcat strikes, militant trade unions, high absenteeism, and onslaught from international competitors catalyzed SCCL's decline and boosted the accumulated losses to INR 12.19 billion in 1996. As a result, this joint public sector undertaking owned by the Telangana Government (51 percent) and Union Government (49 percent), boasting of 48 mines (19 opencast and 29 underground mines)<sup>1</sup> was declared 'sick' (bankrupt) in 1996.

### RESPONSE

The transformation journey began in January 1997, when APVN Sarma took over the reins of the company as the Chairman and Managing Director (CMD). During interactions at the coal mines, Sarma was shocked to discover that workers were clueless about the bankruptcy. Rampant strikes and low productivity was a norm. In short, the hierarchical culture had alienated the workers from the management. There was a distinct disconnect between the management and the blue-collared workers in this hierarchical and highly unionized organization wherein workers trusted union leaders more than management.

Amidst the polarized environment and trust deficit, it was not surprising that the management never communicated directly with the workers in the past. Sarma decided to get rid of the union leaders who acted as middle-men distorting information to serve their vested interests. He sent two letters in quick succession to all employees in Telugu (local language) at their residential address to inform them about the company's poor financial health. The intent of sending letters to their homes was to educate even the family members about SCCL's bleak future if the performance didn't improve.

The unprecedented act of management reaching out to the workers led to protests from unions. A union president disgruntled that if the management claimed to have no money,

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<sup>1</sup> [https://en.wikipedia.org/wiki/Singareni\\_Collieries\\_Company](https://en.wikipedia.org/wiki/Singareni_Collieries_Company)

how it could spend INR 500,000 for courier services to deliver letters. Despite these protests, Sarma marched ahead. He had realized that inculcating a culture of trust and open communication was the key to building partnership and enlisting commitment from workers. He met with the operating directors every fortnight and consulted with employees at all levels to devise strategies to improve performance.

### **ACTION TAKEN**

The top management knew that they had to be proactive to overcome the “us versus them” mindset propagated by the unions. SCCL started the process with a communication policy to plug the information gaps, with a vision to “promote the spirit of Singarenism among Singarenians.” The policy — a unique experiment in the public sector — aimed at touching over 100,000 employees spread over 67 mines<sup>2</sup>. Sarma regularly wrote to the workers’ homes, to keep their families informed about the organization. These letters addressed to the blue-collared workers written in local language explained the financial health of the company, how a worker could help, and adverse impact of strikes on productivity. The erstwhile clueless family members gradually started developing a sense of ownership and in turn, motivated their bread earner.

In March 1997, SCCL formed multi-departmental teams (MDTs) with the objective to update employees about the financial statistics, and elicit suggestions from workers for the management. The MDTs prepared and gave monthly presentations about company’s performance to workers in mines, their families in colonies, and executives in offices. In the meantime, open house meetings with employees spanning all levels had become commonplace at SCCL. Sarma would host these meetings to ask workmen: “If you were in my position, what would you do? Which areas would you improve?” Based on the feedback collated by MDTs and ideas shared by employees at open house meetings, the management brought about a lot of improvements. Also, employees could see their voice being heard and their role in shaping the future of organization.

The management believed that actions spoke louder than words. The company issued press releases periodically regarding employee achievements at SCCL. On local television channels, they hosted talk shows and news features covering SCCL and its township activities. Every communication channel highlighted the importance of workers. Sarma followed an open-door policy where employees could freely walk into his office to share their problems. The general managers for every area visited the worker colonies to listen to their grievances. After 15 days, another officer would go to check if the problem had been addressed. The fulfilment of promises instilled trust in the hearts of workers.

SCCL launched a literacy drive, focused on recreation, ramped up housing and medical facilities, and rolled out a scholarship program for workers’ children. The management also acquired a guest house for rural employees near the city hospital in Hyderabad for its employees and their family members to ease access to quality health care. Later, the

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<sup>2</sup> Mouli (2005). SCCL Internal Report titled “*Singareni Collieries Company Limited – A Turnaround*”

miners who attended the literary sessions were invited to read the newspaper on stage during Independence Day celebrations. The applause from the audience infused a sense of pride and accomplishment in the workers with low literacy level.

SCCL formed a Singareni Seva Samiti (welfare association) which facilitated vocational training for workers' wives and thereby supplementing the family income. It switched to salary disbursement through banks instead of cash payment at the mines. SCCL also set up area terminal benefit (ATB) cells which served as one-stop solution for any settlement. The reduction in settlement period from months to few days provided help to poor workers.

The multiplicity of trade unions that had plagued SCCL with discipline issues like frequent strikes, non-adherence to shift timings, absenteeism, and delayed shift changeover were growing weaker with a responsive management and information symmetry. In 1998, SCCL decided to regulate unions by holding trade union elections to restore industrial peace. The unions vehemently opposed the elections, threatening the management with dire consequences. But, the undeterred management organized the trade union election under the protection of police force.

In the history of Indian coal industry, first trade union elections were held at SCCL in September 1998. It was declared that except the recognized union, the management would not deal with any other association. Previously, any union would approach mine managers with unreasonable demands and resorted to strikes if they were not met. Post elections, SCCL announced that during strike, workers would lose the right to ask management for anything, including salary.

After clipping the wings of the unions, SCCL announced the disciplinary policy to monitor employee's performance and behaviour. In 1999, it dismissed over 1500 employees for poor attendance sending out the message loud and clear. Interestingly, the workers didn't resort to strike as they had reposed trust in the management's actions and intent. From the mind numbing statistics of over 300 strikes per year, SCCL achieved a strike free calendar month in August 2000. The workers now felt "one with the management."

Under Sarma's able leadership, SCCL posted profits for four consecutive years. The accumulated loss declined significantly by 53.6 per cent in a span of four years while the net profit rose to INR 894 million in 2001.