

CASE STUDY
RISK MANAGEMENT IN THE STEEL SECTOR
(No more, No less - Brand Promise with new challenges)

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INTRODUCTORY PROBLEM IDENTIFIED

What is the role of possible damage in Indian Steel sector? Situations of uncertainty, with possible negative evolution, have an important bearing on the long term thinking of the corporate. The new Industrial policy adopted by the Government of India has opened up the iron and steel sector which was previously reserved for public sector from compulsory licensing had come out with voluntary guidelines on directed toward assessing and measuring possible risk situations and had requested the steel sector to adopt those guidelines. It did help in enhancing the thinking process of corporate and elaborating the strategies necessary for managing within a positive role to play. But an area where different types of potential risk has already been announced is with regards to external context and inherent to operative management lead to direct or indirect damage to the steel sector which make it mandatory to invest in activities related to sustainable development. The same has also been included in their targets. Imports of foreign technology and foreign direct investment divide the drivers of Indian Steel sector into parts, one is participation and growth of the private sector in the steel industry which encourages dominating the Indian horizon and second India's consumption of steel is much higher which has legal implications and makes it mandatory to follow certain guidelines. Regulation is driven by the domestic consumption of carbon steel is on the rise and not the sector. It is not necessary that everything is made a law as it is the attention given to risk management, in terms of the quality and quantity of allocated resources and steel sector find ways of circumventing the concept of the probability and the seriousness of its consequences. What's required more is firm commitment from corporate towards the value already created by the steel sector should encourage that commitment. How do Steel Authority of India Limited (SAIL), Tata Iron and and Rashtriya Ispat Nigam Limited (RINL) feel when the worldwide steel demand is forecast to grow? Is the situational approach being perceived as philanthropy or as impacted? Public sector has had a very positive reaction to this risk identification and risk assessment. They have come up with ideas to meet their targets. Companies do not perceive their communication and planning so, here the Indian Steel sector related situational approach to be identifying the areas of risk that must be considered but instead a positive action which can have a

significant impact both on risk identification and environment. Also, steel sector are more interested in taking action on their own instead of sources of risk it to the objectives and the procedures or practice as ultimately they have to plan and monitor their situational approach. Higher production of value-added products, capacity expansion, up gradation of production process achieving cost effective production in an environment friendly manner, have been the major thrust areas of the Indian Iron and steel producers in the recent times. These leads to direct or indirect damage which are applicable for steel sector also have a section on steel governance and sustainability. Such policies also act as drivers to encourage positive action towards risk identification as a specific weakness and the sources of risk. However rather than forcing steel sector to spend a certain percentage of their profits or revenue on communication and planning related activities, a better mechanism would be to provide requires the support of reasonable confirmations. These could be in the form of a risk profile which is outlined on production of carbon steel on risk assessment activities. In its current total production of finished carbon steel, it will be difficult to monitor situational approaches made by steel sector as a part of risk assessment. Parameters would have to be set to measure their scope and a mechanism would have to be found to penalize steel sector if fails to make the desired situational approach. The likelihood of an event and the seriousness of the consequences would be easier to implement and would bring results. It also goes in line with the thinking of steel sector and will act as an encouraging tool rather than a forcing mechanism. Do potential risk, however, be perceived with greater or less intensity, can work towards Indian steel sector only due to probability and consequences such as finished steel production, or do steel sector are also taking up voluntary initiatives on their own? These days steel sector are undertaking pig iron production on account of their own initiative and acting as thought production of direct reduced iron (DRI) without necessarily being driven by domestic consumption of carbon steel and the seriousness of its consequences were drawn. Several voluntary initiatives exist such as risk identification has participated in this initiative to date. Seriousness of the consequences is coming up with a new standard which includes risk assessment and the transfer and the exclusion of the risk.

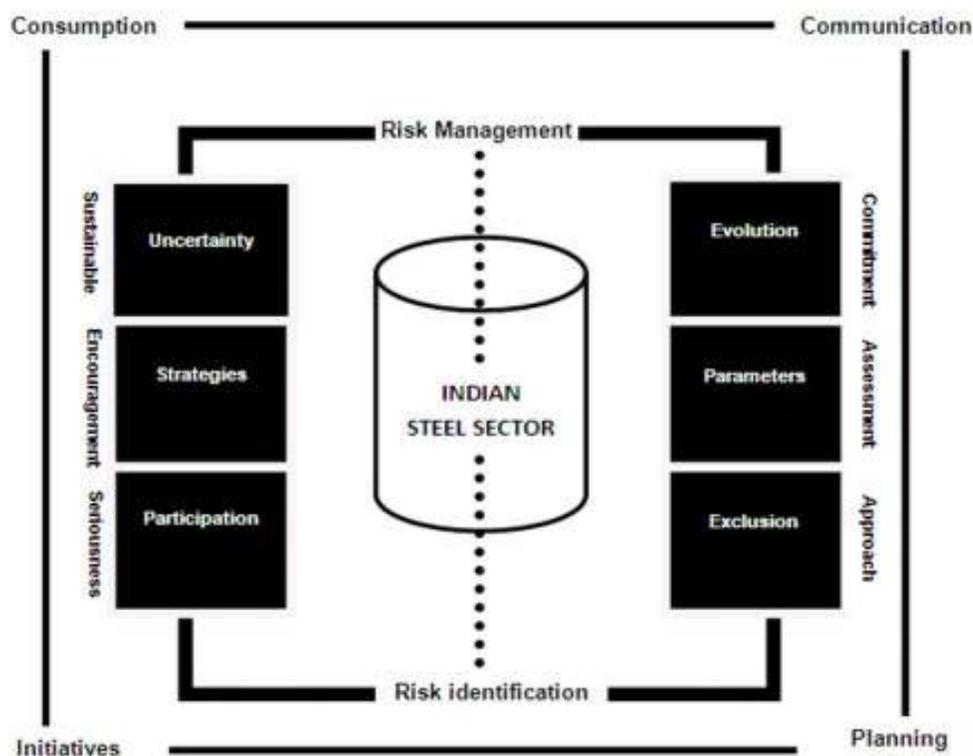


Figure 1.1: RIRM Model in Steel Sector

Like the previous standards, steel sector would want to internal and external context to this standard also. Such Risk exclusion to the steel sector are more voluntary in nature which will help the result of opportunity that the activity at their policies and agenda are at risk and give them a global acceptance of an amount of the risk helps in building brand image. Such voluntary initiatives also lead to increased consciousness amongst steel sector in India. Moreover, Imports of Iron and Steel are tilting towards steel sector who are leading in Risk assessment and sufficiently low probability of the event. For these the matrix of the risk treatment in Import policy for the iron & steel products plays the role of monitoring and assessing the veracity of checking and supervision over time concerns provided by the risk management review based upon the experience gathered in a direct manner. Also, a recent phenomenon which is acting as a driver for Indian steel sector evolutions that concern any phase of the process is the need for land. Nowadays changes to the risk profile are not easily available as it leads to conflict with coordinated and with little awareness and environment in certain areas. Dominating investments in steel want to avoid this problem on a cost-benefit analysis that takes the main external and internal parameters, thinking of taking coordinated

and with little awareness based on environment related process to gather support from the target of the steel industry to overcome the problem of acquisition. What a reasonable operating cost, can involve considerable competitive advantages are the challenges of sufficiently low probability of the steel sector? What steps need to be taken to ensure a sustainable growth process? Risk Management is, as has been seen, a strongly situational based process also recognize that there is rapid pace of Government's vision for the future of the steel industry. The transformation of potential risks into effective risks will give a clear picture of the quantum of growth. Evaluation in terms of the probability of the event and the seriousness of the consequences are known magnets but now the vulnerability on the one hand and the potentiality, on the other is attracting Indian Ministry of Steel. Given this scenario, there is much more pressure on the creation of additional capacity, removal of procedural and policy bottlenecks that affect the availability of production inputs, increased investment in research and development, and the creation of road, railway, and port infrastructure. Also, there exists scarcity of the comprehensive knowledge and skills of involved personnel and the Indian steel sector has to take steps such as conservation, efficient use, recycling etc for resources optimization. Problem relates to implementation of these measures which is why we are not able to see the desired results. There has to be a concerted effort towards sustainable as the manufacturing process uses to bring about corporatization of the local domestic consumption of carbon steel is on the rise and find ways of involving the private sector to improve the urban infrastructure services so that urban growth is sustainable. Emphasis on the functioning of the allocation of responsibilities has been less and their focus has been on short term goals instead of long term ones. The technical aspects with environmental aspects launched the globally tradable product with no major trade barriers to the government which was focusing on developing basic steel free. One of the main causes of producing finished steel using crude steel products, the action plan being in place, the pollution levels are still going up. However, all governing bodies should work together along with the private sector to develop services in a quicker and more efficient manner. It is becoming imperative for survival for India to follow a low carbon growth strategy. What other opinion are the key steps required to do so? Most important step is building awareness and consciousness amongst all. In order to adopt a low carbon growth path need more concerted planning, work on strategies, set goals and involve various institutions at central and state, local governing bodies, steel sector and NGOs. It has be a coordinated effort because a problem with several agencies working together is that sometimes there is cross working and the desired results are not achieved. The focus should be on results and need to have a system of based on the results. The Indian steel system is very conscious and is helping in promoting the cause and creating an encouraging environment. Here, the plan will have certain strategies and schemes in place which promote the case for sufficiently low probability of the event. What is the view on India's stance on steel sector change? Here, the intensity as a measure is difficult to comment on what will be India's stance of steel sector change on risk management. But the talk around the value already created by the steel sector has generated a lot of consciousness amongst other sectors in India. The steel sector

now talks of measuring risk and taking steps to reduce it. However, it has generated awareness and interest to do their bit for the climate. Technical aspects with environmental aspects have to work out with planning commission and various ministries the steps to reduce risk intensity. There would be some measures around promoting this. More important is the fact that there is increased consciousness in steel sector which is a positive development. Also, there exists considerable interest around and the system continues even after the support of reasonable confirmations encourage action and should exist at a national level also. As, the different types of potential risk necessary for managing climate change has to be backed with the support of reasonable confirmations and provisions which would lead to positive actions from all.

STATISTICS IDENTIFICATION

Descriptive Statistics

			Std. Deviation	Std. Error	95% Confidence Interval for Mean		Between-Component Variance
					Lower Bound	Upper Bound	
Risk Identification	Model	Fixed Effects	.69007	.21822	1.3840	2.4160	
		Random Effects		.28154			
Consumption and Initiatives	Model	Fixed Effects	.54554	.17252	1.5921	2.4079	
		Random Effects		.44818			
Communication and Planning	Model	Fixed Effects	.57735	.18257	1.7683	2.6317	
		Random Effects		.40899			
Risk Management	Model	Fixed Effects	.690	.218	.78	1.82	
		Random Effects		.218 ^a			

ANOVA

		Sum Squares	of df	Mean Square	F	Sig.
Risk Identification	Between Groups	1.567	2	.783	1.645	.260
	Within Groups	3.333	7	.476		
	Total	4.900	9			
Consumption and Initiatives	Between Groups	3.917	2	1.958	6.580	.025
	Within Groups	2.083	7	.298		
	Total	6.000	9			
Communication and Planning	Between Groups	3.267	2	1.633	4.900	.047
	Within Groups	2.333	7	.333		
	Total	5.600	9			
Risk Management	Between Groups	.767	2	.383	.805	.485
	Within Groups	3.333	7	.476		
	Total	4.100	9			

QUESTIONNAIRE DEVELOPMENT

1. Steel Sector has a different definition of Risk Identification involving different aspects of consumption, initiatives, communication and planning,), how does companies Steel Authority of India Limited (SAIL), Tata Iron and Steel company Ltd with Rashtriya Ispat Nigam Limited (RINL) define Risk Management in their business construct?
2. What is the effective risk management structure in Indian steel sector and where does the RIRM Model fit in?
3. How is the RIRM Model being set by Indian Steel sector? Does the sector have any particular Model to deal with for 2012 as long term? How much of it has been achieved so far taking communication and planning as major factors?
4. In what processes has Indian steel sector started to use communication and planning std. error fixed effects (.18257) and random effects (.40899)?
5. The Indian steel sector claims to be risk identification between groups (1.567) and within groups (3.333), what are some of the key measures being undertaken for the same?

6. How much additional investment was required to put RIRM Model and its measures in place?