

CONTINENTAL CEMENT CO. LTD. - A CASE

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Prologue

The case presents a scenario of a company involved in a tangle of issues, which, though appear to be business related, in reality, people's issues and societal challenges. The case depicts the social responsibilities and business ethics that the company is attempting to balance while addressing its business issues.

The company presented in the case was a cement manufacturing company, having its own mining facilities. It was on the verge of bringing in new technologies, establish world-class standards by going in for ISO 9000 and ISO 14000 Certifications, and wants to live up to its image. The local villages and the society grew in the past few decades along with the firm; population explosion showed its pressures on resources and villages expanded using every inch of land available. People searched for more attractive earning opportunities and they exhibited far more aggressiveness and assertiveness as the competition and conflicts increased with the increased competition for resources and livelihoods.

In its efforts to introduce new technologies for improving its productivity levels, the company introduced a new method of limestone blasting in its mines by going in for a new explosive system. However, the blasting affects one of the neighboring village and villagers resist the

company's attempts to continue with the mining operations as they perceive it to be life threatening to the habitat.

The case tries to bring forward issues and challenges involved in the current situation for decision-making. The crux of the case is in bringing to the fore the dilemmas faced by the key executives of the company and their attempt in trying to steer the company through and help it discharge its duties as a responsible corporate citizen, while protecting its business performance standards. The case is presented as a chronicle of events over a short period of time, so as to emphasize the increasing complexities as they develop in real time situations.

The Saga as unfolded – a dairy mode

28th March 1999, 10.15 hrs.

Mr. Vijaya Kumar, General Manager of Continental Cement Company Limited, concluded his meeting with his senior colleagues with the words, "Gentlemen, we have to resolve the concerns of Sripuram Village immediately to resume our mining operations. Otherwise we will not be in a position to meet our production schedules, which will in turn, effect all our targets and performance standards. Till date, we maintained our position as the number one unit in terms of production of cement among all the units of the company. Any downside from that will have implications on all



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the functioning, and none of us would like it to happen. I'd like Mr. Desai to take it on his shoulders to come out with an action plan to address this issue by this evening. We will meet again to examine the same and decide on its, and by tomorrow, you could go ahead with your normal activities and concentrate on the production job. Good day!"

In the next few moments, the boardroom was empty, leaving Mr. Ketan Desai, Sr. Manager-HR, alone. He was pondering over what went on the previous few days, and to try and gather his thoughts on what he should do immediately.

24th February, 1999,19.30hrs

Mr. Suresh Gonsalves, Chief Manager-Mines was discussing the presentations he and his engineers made for starting mining operations in the northeast quarry of Sripuram Mines. He went ahead reporting to the General Manager that the mining staff-all his engineers as well as other personnel involved in mining -are ready to try the new technology in the new mine. He indicated that the new explosive would give a yield of 2.25-2.5 times of present technology and in terms of cost; the new explosives are dearer only by 10% of the existing materials. He further indicated that the explosions would result in bigger blast tremors and sound than the current blasts, even though within the safety levels and within the company's standards.

Noting that the Company would be entering into a new era of mining technology in the country, Mr. Vijay Kumar consented to introducing it in the Sripuram mines. Mr. Gonsalves left the chambers informing the General Manager that he hoped it would be a routine affair and as per existing schedule, the blasts would be tried on Friday, the 26th February 1999.

26th February, 1999,15.45hrs

Sripuram mines- northeast spot

Mr. Gonsalves was at the Sripuram mines at the safety distance marked inside the mine-at around 200 meters from the spot of planting the explosives and nodded to his foreman to switch on. Wroom went the sound in few seconds, dust and smoke raised above the marked location and in another few minutes, the limestone rubble and boulders were falling from height into the slope and flowing into mine valley, to be picked up by the giant earth-movers of the company. Obviously, the place where Mr. Gonsalves and his colleagues were standing was safe and the team shook hand with each other over the successful first blast in the area using new explosives. Mr. Gonsalves returned to his office, to inform the General Manager about successful blasting. Before leaving he instructed his engineers to assess the impact.

Sripuram village

It was a sunny Friday afternoon, fag end of the winter when most of the residents of the village were away from their homes at their respective works and school going children were returning from the village school. Elders and invalids, pre-school children are either inside their homes; hutments or outside the huts warming themselves in the evening sun. All of a sudden, there was an earth shattering sound from the nearby valley and few stones and a huge boulder landed in front of a housing colony with thud. Several houses shook, shanties rattled, babies cried and women shrieked in shock. Almost everyone ran out into the streets fearing a calamity. However, in another few minutes, it became clear to everyone that it was only a blast from the limestone mine and not a bomb blast or earthquake. They could all see the white smoke cum dust emanating from the valley. The villagers continued to be outside on the streets

and discuss among themselves about what happened and what should be done, as the boulder that landed was a big one-around fifteen inches diameter, weighing around ten kilograms. The probability of such a boulder falling on someone and its impact was hotly discussed.

Sripuram village also houses few employees of Continental Cement Co, who built their pucca houses along with few others in the village. As soon as they started returning from their work, they became the first targets of the villagers to express their displeasure and concern, while they started running towards their homes to look at their status. Everyone was anxious and was confused as to what should they do. The concerns were more vocally voiced as some of them found out that their house walls showed large cracks, some of them running almost seven to eight feet long from roof to the foundation vertically on the wall, hinting that they are not safe anymore.

That night the village held a gram sabha (all-village meeting) and decided that their representatives would meet the Mines Manager of the company and ask him to stop the blasting in Sripuram mines.

27th February, 1999, 9.30hrs

Mr. Gonsalves was in the chambers of Mr. Kumar, briefing him about the visit of Sripuram village Sarpanch along with few other village leaders early in the morning at his residence. Mr. Ketan Desai, Manager – HR and Administration was asked to join the meeting by the General Manager. According to Mr. Gonsalves, the villagers demanded:

- Compensation for houses damaged,
- Stopping of blasting activity at the north-east point forthwith and

- Take measures to see that no boulders flew into village on blasting in future.

He mentioned that though the group sounded menacing in their demands, the Sarpanch of the village spoke in reasonable manner and he would be in a position to address the demands and handle the situation with the villagers. Mr. Kumar suggested that he and Mr. Desai visit the village that day itself, to assess the situation, talk to the villagers and pacify them.

Later, Mr. Gonsalves asked his site engineer to visit the place before noon and report to him about the situation in the village. He received the report just before lunch, with the following observations:

- A boulder and few stones fell in the new housing colony, which is 350 meters away from the mining area:
- Villagers showed three houses whose walls showed cracks; However it was not certain whether they appeared due to the blast impact;
- The village built houses well within the 500 meters safety zone radius from the mines and people are living very close by to the mines, which was prohibited by the law and by the village panchayat by putting up the danger zone warnings at few places across the 500 meter safety boundary line.

MR. Gonsalves read the report, shared it with Mr. Desai, while they visited the village that afternoon.

15th March 1999

A group of business management students from a reputed b-School visited CCCL on an experiential study visit, to study the role of the

company in the society as a corporate citizen. Mr. Vijay Kumar briefed them of the various social service activities it undertook in the past few years and the benefits that its neighboring villages received out of its activities. He also took pains to explain the employment opportunities created by his company and the company's philosophy of its commitment to build permanent assets in the neighboring villages. Later, when the students expressed their interest in visiting the villages in which CCL was working, he requested Mr. Desai to take them around some of the villages and identify the villages to be studied by the students in-depth. He hoped that such a study would help him too in understanding their needs and possible opportunities for CCCL to work in those areas.

That evening the visiting students and Mr. Desai visited Sripuram village also, besides few other villages. As the team walked in to the lanes of Sripuram village, people started to gather around them and inquiring about who they were and why they were visiting the village. By the time the visitors reached a central location in the village, a considerable mob surrounded all of them. Spotting Mr. Desai in the visitors, they started shouting against the company and for not stopping the high intensity blasts despite the assurance provided during his last visit. None of the local leaders and the Sarpanch were present in the village; even as the mob continued to shout and threaten that they would take the issues to the local MLA and the Chief Minister if immediate action was not taken. They presumed all the visitors as CCCL executives and continued to ask them what their commitment was to the village over the previous month's damages and about continuation of blasting operations. Mr. Desai had to use all his tact to control the mob and make people hear

him, and assured them that action would be taken immediately; after which the villagers calmed down and dispersed. Subsequently, he asked the visiting students' team to take up their experiential study to begin with Sripuram Village itself as their first assignment, so as to know from them about the village in an objective way and in more detail from a third person's point of view.

24th March 1999

Mr. Vijay Kumar was in his chambers, with the draft report of the Student Team, on Sripuram Village and its Resources, social-economic status and other details on occupations and livelihoods. What interested him were findings related to the occupations and income brackets of the villagers, their dependence or otherwise on CCCL for their sustenance in the village. After his meeting with the students, he asked Mr. Gonsalves about the situation of North-East Point of Sripuram mines. Mr. Gonsalves reported that the intensity of the blasting explosives was reduced to earlier levels and there were no more untoward incidents.

In the evening, even as Mr. Kumar and Mr. Desai were reviewing some of the proposals the company initiated for the social and community development programmes in different villages, there was a phone call from the Sarpanch of the Sripuram Village. Mr. Desai received the call, only to learn about a petition that was being prepared by the villagers to submit to the Chief Minister and the state government to stop CCCL from continuing the mining operations in the Sripuram mines. Realizing that they are one day away from the next blasting day, Mr. Kumar asked Mr. Gonsalves to suspend the blasting schedule of the Friday as well as of the next week. Subsequently he called a meeting of Mines

Manager and Production Manager to discuss the production status and work orders of the unit. During the meeting, on an inquiry from the GM, Mr. Gonsalves reported that the mines had enough limestone to feed the production unit for around ten days, and will not suffer production even if the mining operations are postponed for sometime. The GM learned further, that the village grew and encroached deeply into the safety zone area in the last ten years, and never heeded to requests or warning given by the company not to extend the house sites to a distance of less than 500 meters from the mines.

The revelations and the resultant challenges

Mr. Desai was surprised to notice a list of 23 houses as severely damaged with cracks of walls due to the blast tremors, while going through the copy of the petition submitted by the Sripuram villagers, which was in deviance to the report of Mine Engineer. He immediately tried to contact Mr. Selvaraj, one of the employees of stores department, who hails from Sripuram, to know the veracity of the petition. Mr. Selvaraj corroborated the details given in the statement and also disclosed that his house was also one among the listed houses, a new RCC building, also showing cracks in more than one place.

When Desai shared the information with Gonsalves, he maintained that after the first

incident, all blasts conducted were at reduced intensity and were at a much lesser depth than the 14th February blast, and that there was little or no chance of any building or house getting affected due to mining activity. However, he felt that houses, which were built on the encroached land, were on a hillock facing the northeast point, and he felt that they are vulnerable to smallest of the tremors and shocks as they were built on poor foundation or no foundation on the rocky terrain.

Mr. Desai decided to visit the village immediately, to reconfirm to himself about the facts of the village and take some quick decisions by discussing with the General Manager that evening. He was firm in his belief that his recommendations would meet the business objectives of his company and also be in conformity to the CCCL's corporate policy of being eco-friendly, people oriented corporate citizen. Just when he was preparing to leave for the Sripuram visit, his phone rang. The secretary of Mr. Kumar confirmed that a team of inspectors from BQC, the Registrars of ISO 900/14000 certification would be reaching CCCL the next day, on March 1st, 1999 for their final round of audit and that Mr. Kumar wanted him to complete his consultation at any cost, before their visit.

Tables and Annexure

Annex 1

Profile of Company

Select indicators of company's performance in 1997-98

Cement Production capacity	:	7.5 million tons per annum
Production During the year	:	7.26 mtpa
Market share	:	42%
Sales During the year	:	Rs. 5,540 Crores
Profit after Tax	:	Rs. 772 Crores

Profile of village occupations

Farmers	:	1.7%
Agri Labors	:	1.5%
Industrial Labors	:	12.3%
Self-employed	:	16.0%
Casual Labor	:	23.0%
Service	:	17.0%
Construction workers	:	9.0%
Business	:	3.0%

Note: of the above occupations, employment in CCCL consists of 5% of all those in service and industrial labor.

Profile of villagers-income earning levels

Earnings/month (Rs)		Percentage
Less than 500	:	12%
500-1000	:	7.5%
1000-1500	:	15.0%
1500-2000	:	23.0%
2000-2500	:	16.5%
2500-3000	:	5.0%
3000 and above	:	21.05%

Profile of Dwelling-ownership

People owning a dwelling	:	57%
People in a rented dwelling unit	:	23%
People in a Govt. Housing unit (Of Urban Shum Development Authority)	:	20%

Type of Dwelling

Hutments	:	26.1%
Semi-Pucca House	:	44.6%
Pucca House –Tiled	:	21.2%
Pucca House-RCC	:	8.1%

Asset ownership (including dwelling unit)

Self-assessed value (Rs)		
Less than 1000	:	5%
1000-10,000	:	36.7%
10,000-25,000	:	20.7%
25,000-50,000	:	27.29%
50,000-1,00,000	:	6.5%
1,00,000 and above	:	3.2%