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**MANAGEMENT OF INDUSTRIAL CONFLICT**

**(A Case for matching strategy  
with objectives)**

**by**

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**B G Shah**

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ABSTRACT (within 250 words)

This paper is based on a case study of managerial problems arising from unionization among employees and subsequent events in union-management relations in one of the major commercial banks. The study shows that an initial attitude of indifference and hostility towards unionism resulted in a series of events involving a win-lose struggle between management and the union. Eventually when the union began to indulge in anti-social and destructive activities, the management took a decision to fight it out with the union regardless of the cause involved. In doing so, the management planned a strategy to deal with the various aspects of the conflict in relation to managerial objectives. Finally, when it scored a decisive victory over the union, the management in collaboration with the union successfully built a new relationship based on mutual trust and cooperation. In conclusion the authors stress the need for a clear and rational managerial approach to problems of industrial relations, rather than handling such problems on the basis of prejudices and short-term objectives.

Please indicate restrictions if any that the author wishes to place upon this note .....

Date ... 24 July 1974 .....

N.R. Sheth  
Signature of the Author *on behalf of N.R. Sheth and B.G. Shah*

## MANAGEMENT OF INDUSTRIAL CONFLICT

(A Case for matching strategy with objectives)

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B.G. Shah

### I. INTRODUCTION

Problems of trade unionism and industrial relations are increasingly becoming an anathema to the managers and administrators in our country. On the one hand, management thinking is moving towards long and short range planning and control of managerial tasks in the context of clearly defined objectives and environmental constraints. On the other hand, the tasks of dealing with trade unions and employees appear to be getting farther and farther away from managers interested in systematic planning and control. If you<sup>1</sup> ask a typical Indian manager the reasons for this perceived managerial disability, he will stress the widely-known fact that trade unions in the country largely play to the tunes of political leadership involved in inter-group rivalries and conflicts, creating all kinds of uncertainties and confusion in the achievement of managerial tasks. He will also stress the potential and actual interference by government and its administrative agencies in the field of labour-management relations. In most cases, the manager is likely to strike a note of despair, with the observation that his efforts in systematic managerial planning and control are upset by his inability to plan or control employee relations.

Government's stated policy on industrial relations is based mainly on the urge to meet the twin objectives of (a) industrial harmony towards continuous productivity and economic growth and (b) alleviation of the economic and social inequality traditionally suffered by the working classes. Accordingly, for a long time government virtually directed employers in the various sectors of the economy to maintain industrial peace by conceding to union demands without paying adequate attention to the overall economic implications of such concessions. A remarkable illustration of this spirit is provided by the government's pronouncement on the issue of annual profit-sharing bonus in consequence of the demands made by trade unions during the last few years. It is well known how the acceptance of bonus as a deferred wage has lately given rise to heavy economic demands from trade unions in various segments of industrial activity regardless of the implications of such demands for the widereconomic situation of the country.

Interestingly, the multiplying economic demands from the working classes in recent years appear to have led the government to change its traditional policy of appeasement towards unions. A major landmark in this shift in government's approach was provided by the way in which the management of Indian Airlines in 1973 decided to adopt a firm managerial position against the unions' negative relation to the decision to rationalize the employees' work-schedules<sup>2</sup>. The management

withstood all pressures from the employees to disrupt the organisation's operations, took a calculated risk by declaring a prolonged lockout and eventually succeeded in implementing its plans for rationalisation of work-schedules. More recently, the government succeeded in putting down a gigantic agitation launched by railway employees in support of their demand for parity entitlement to the annual bonus prescribed for manufacturing and other sectors of industry. In doing this, government went to the extent of using controversial legislation such as Maintenance of Internal Security Act in order to tame the agitating workers and their leaders<sup>3</sup>.

We do not wish to discuss here the various political, economic and social aspects of the government's recent approach to industrial relations in organizations where it plays the role of an employer. However, the change believed to have taken place in government's strategy provides a point of departure for many questions now being raised by managers of enterprise in the public as well as private sectors. To what extent will the government's new posture towards unions and employees have a demonstration effect in industry? Will it now be possible for employers to plan a clear managerial strategy for handling their labour problem and adopt a firm stand to create conditions for healthy confrontation with unions without fear of unnecessary government interference?

These are indeed sensitive questions. The assumptions and judgements used by management and trade union leadership in answering such questions are likely to have far-reaching consequences for the climate of industrial relations emerging in the country when it is passing through a critical economic situation. If the leaders on the two sides of the industrial relations scene formulate quick judgements on this issue in view of the recent happenings in government organizations, they may eventually land themselves into a chain reaction of hostility and counter-hostility. In this connection, it is necessary to remember that management's action or response to trade unionism should in the final analysis depend on the basic organizational objectives. The value of a "tough" or "soft" approach towards trade unions should be judged in relation to the contribution of such attitude to the organization's effectiveness.

In this context, we present here the case of management of industrial relations in one of the leading nationalised banks. Our decision to study this situation followed some information on a somewhat prolonged period of industrial conflict through which the organization had passed. When we collected all the relevant data<sup>4</sup>, however, we learnt that it was an extremely interesting and educative series of actions and reactions during which the management took decisions with a clear understanding of managerial objectives after an initial period

of trial and error. In our judgement the case we studied has a lasting value in the field of management of industrial relations. We shall therefore present the series of events based on the data available to us and subsequently analyse the data with a view to bring out the relevant managerial lessons. The data we collected were based partly on recorded information available in the organization and partly on our interview with a cross section of the bank's management and employees. All the names of people and places as well as the dates mentioned in the following narration are fictitious.

## II INDUSTRIAL RELATIONS IN ANJALI BANK - A CASE STUDY

Anjali Bank, with its head office at Varnasi, was established in 1925 by a group of upper-caste businessmen for providing banking facilities to small people, particularly small farmers in the surrounding area. From a limited venture, Anjali Bank expanded rapidly between 1955 and 1969, when the bank opened 257 new branches in various parts of India. In December 1969, it had 350 branches all over the country and employed 1,050 officers and 4,520 award staff\*.

Most of the Bank's clerical and junior supervisory staff were drawn from the local lower-middle class families. For these jobs, the management usually preferred matriculates over graduates, because, in their opinion, the former would be more motivated for hard work than the latter who might expect too high salaries for their "education". Most of the employees were also drawn from among the acquaintances and relatives of the bank's senior executives. The management believed that such employees developed a sense of gratitude towards the management for offering them prized jobs.

### Unionization and Management Response :

Although unionization among bank employees in the country began in 1946-47, the employees of Anjali Bank made no attempt to unionize until 1958. In 1950, Mr. Roy, a promptist in the Head Office was transferred following a heated argument with the Chief Accountant on implementation of a tribunal award. Roy tried to form a union in 1951 but secured little response from his colleagues. Subsequently, he left the bank's service and successfully formed the Anjali Bank's Employees Union which was later affiliated to the National Federation of Bank Workers.

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\* Clerical and subordinate staff covered under the various tribunal awards relating to employment conditions.

Most employees were initially reluctant to join the union because of their personal relations with senior officers and the fear of victimisation. Eventually, however, the employees felt the need of unionism for various reasons. For one thing, there were no clear criteria for fixing the salaries of newly recruited employees. Secondly, the bank was expanding fast and most of 125 new branches opened between 1950 and 1965 were located outside Uttar Pradesh in far away places such as Bombay, Calcutta, and Madras. Many employees were therefore transferred from their home regions to distant places. Hence the management lost control over the activities of such employees and the social influence which it could exercise on them through familial and friendship ties. Moreover, many employees felt that transfers and promotions were made on the basis of personal influence rather than according to the principles laid down by the management. The rapid expansion of the bank forced the management to recruit officers directly as all new positions in officers' cadres could not be filled by promotion of clerks. Consequently the clerical employees lost hopes of promotion. On the other hand they were required to work harder to cope with the expanding work loads. They felt that the management did not adequately appreciate their contribution to the programme of expansion. These factors led to rapid unionism among the employees. By 1965 nearly eighty per cent of the award staff had enrolled themselves as members of the union.

Initial Response :

In the beginning the management was indifferent to the union and its activities. The union raised demands on matters such as salaries and allowances, leave salary, medical aid, provident fund, gratuity, bonus and promotions. The management was unwilling to enter into direct negotiations with the union and hence decided not to respond to the several letters they received from the union asking for recognition.

In February 1965 the UP State unit of the union complained to the government's labour department that the management had victimised union leaders and active workers by transferring them to various branches. The employees observed a pendency strike for eight days in protest against such transfers. The management's contention was that the transfers were required by the exigencies of business. As a result of conciliation proceedings, the management agreed to withdraw the transfer orders in question and not to take any disciplinary action against those who had joined the strike. The union, on its parts, apologized for using offensive language against the management and agreed to compensate for the period of strike by working overtime without additional remuneration.

On October 15, 1965, an officer of the Kanpur branch objected to the use of office telephone by a union official, for union activities. Later, the union alleged that the union leader was insulted and assaulted by the officer. This incident sparked off an agitation by the employees at Kanpur as well as those in the neighbouring branches. Consequently, the

management suspended several employees and terminated the union leader's services on the ground of indiscipline.

Beginning of Dialogue :

However, on November 29, 1965, the management invited the union for a meeting at Calcutta to discuss mutual problems. At this meeting, the management agreed to withdraw all the suspension orders served on the agitating employees, and the union agreed to withdraw all agitations and help the management in restoring normalcy of work at all the branches. Both the parties also agreed to abide by the code of discipline adopted by the Indian Labour Conference<sup>5</sup>.

Subsequently, the management and the union held four joint meetings between December 1965 and May 1966 with a view to settling all outstanding issues. At the first two meetings, the parties reiterated their decision to forget the past and develop cordial relations based on give-and-take. The union reiterated its offer of help in restoring normalcy of work. In turn, management conceded to the employees' demands relating to wages, allowances and other working conditions, apart from agreeing to withdraw disciplinary proceedings against some employees who were alleged to have misbehaved. Meanwhile, the union raised a dispute on the annual bonus for 1963. It asked for 87 per cent of the available surplus of profit as defined by law, as against 27 per cent of offered by management. This dispute was then referred to an industrial tribunal for adjudication. The next two meetings concluded without agreement on substantive issues regarding allowances and working conditions. The management pressed for a formal grievance procedure, but the union demanded its postponement. The union kept on raising the dispute on bonus although it had been referred for adjudication. The two parties accused each other of inaction and unwillingness, to establish cordial relations. The union representatives refused to sign the minutes of the fourth meeting.

At the same time, the agitation launched by the union at its various branches in October 1965 continued.

Management of Conflict :

On May 10, 1966 two employees of the Chowringhee branch in Calcutta approached the accountant in his office, shouted at him, thumped his desk and, in abusive language, demanded withdrawal of notices served on some of their colleagues for indiscipline. The management consequently charge-sheeted and suspended these two employees. This action of the management provoked other employees. The local branch of the union wrote to the head office for immediate withdrawal of the charge-sheet against the two employees. The management remained firm and dismissed them on June 6 after a departmental enquiry. This dismissal sparked off



an agitation by the union leaders and other employees of the Chowringhee branch. The employees at Lucknow, Meerut, Kanour and other branches joined the agitation and refused to do their normal work, shouted slogans during office hours, harrassed the officers, assaulted women employees marched in processions to the houses of the branch managers and threatened them and their families of violent action.

Following these incidents the concerned branch managers charge-sheeted and suspended more than a hundred employees. They asked several senior officers at the head office to conduct inquiries against the suspended employees. As the employees concerned decided to boycott these inquiries with the approval of their union, the inquiries were held ex-parte and the employees were dismissed from service. Concurrently, officers from the head office were deputed to carry out the normal business of the branches which were affected by the large scale dismissal of employees.

On June 20, 1966 the management filed a suit in civil court, Calcutta against the union and the employees who had violated the code of discipline and indulged in illegal agitation with a view to disrupting the normal banking operation. The charges against the employees included (1) abusing female and male officers, (2) circulating defamatory statement against the management, (3) spreading rumours against solvency of the bank, and (4) entering bank premises without reason and causing damage to bank property, destroying and tampering with the bank's documents records. The court granted an interim injunction against the union and the concerned employees, preventing them from shouting slogans, holding meetings and demonstrations within fifty yards of the bank's premises, disfiguring the premises with posters, obstructing customers from entering the bank's premises and circulating defamatory statement against the management. The union contested the injunction and claimed immunity against legal action in terms of the Indian Trade Unions Act<sup>6</sup>, the Indian Constitution on freedom of speech and action<sup>7</sup>. On July 20, 1966 the court confirmed the interim injunction issued earlier.

While the agitation was in progress, the management and the union issued circulars from time to time explaining and justifying their respective positions on various matters and dispute between them. The union alleged that management was unwilling to discuss the issue of bonus for the period 1957-65. According to the union although necessary calculations were confirmed by an independent expert the management maintained that there was no available surplus for distribution. The union's decision to launch an agitation was alleged to have been provoked by what it called intransigence on the part of management. The union also demanded that there should be no further direct recruitment of officers and that all employees with more than six months' service should be confirmed. The union alleged that the management was trying to confuse the employees by encouraging a rival union. The union warned the members against the management's attempts to divert their attention from the real issues by invoking the code of discipline. In another circular, the union asked its

members to join the agitation launched by the employees at Calcutta by refusing overtime work, demonstrating during business hours and organizing collective casual leave to paralyse the bank's work.

On the other hand, the management issued circulars reiterating its position that it would negotiate the issue of bonus only after the decision of the industrial tribunal was known. It warned the union and employees that the agitation launched by them was illegal and unwarranted. According to Mr. Gupta, the bank's chief executive, the management decided to take firm action against the union as soon as they realised that the employees in the various branches had begun to bully branch officers with whom they had worked closely. Mr. Gupta was aware that some branch managers might have harrassed their subordinates but he contended that it was necessary to deal harshly with the union as it had clearly indulged in coercive tactics by shouting slogans, and demonstrating during office hours. The union made allegations of favouritism in distribution of overtime work, but the management collected adequate information which showed that the main beneficiaries of overtime wages were union members themselves. According to Mr. Gupta the senior officers of the bank realised that they would have to act in unison in the face of the strike. Mr. Gupta took the board of directors into confidence and enlisted its support on the stand he had decided to take against the union. Secondly he decided to keep the central government fully informed of the day-to-day developments on the strike. A senior executive of the bank was posted in Delhi and acted as a liaison officer with the ministry of labour. The branch managers at Lucknow, Calcutta, Kanpur and other centres sent daily telegrams to the central government's chief labour commissioner narrating the harrassment they suffered at the hands of the agitating employees. The management clearly explained to the government the need for strong action against the union especially as it had violated the code of discipline. Consequently the chief labour commissioner issued for the first time a warning to the union that it might have to face strong action for violation of the code of discipline.

On August 10, 1966 the national federation of bank workers to which the Anjali Bank union was affiliated decided to intervene in the dispute and tried to bring the two parties together. The federation met one of the previous Chief Executives of the bank and persuaded him to reach an agreement with the union. Subsequently, the Federation issued a circular stating that mutually agreed formula had been evolved for resolving the dispute between the management and the union. However, the management promptly clarified that no agreement had yet been reached with the union as reported in the Federation's circular. The management emphasised that the strike was illegal and that the employees guilty of offensive behaviour would be dealt with according to the normal procedure of law. On the other hand, a professional management organization sent an appeal to the Government urging it not to institute any legal proceedings against the employees of Anjali Bank charged with indiscipline. This organization tried to resolve the dispute by appointing a commission to go into the matter. However, the management firmly opposed this move on the ground that an

external agency could not interfere in the activities of the bank. The Federation also tried to bring pressure on the management by asking its members in other banks to boycott the instruments of Anjali Bank in all types of inter-bank activity. However the Anjali Bank management successfully sought the intervention of the Reserve Bank and scotched the union's attempts to disrupt normal banking work.

Eventually the management realised that the morale of the employees who were dismissed was breaking down. The union had collected funds from the public to support the agitation but these funds were soon getting exhausted and hence many employees were getting restless as they felt the pinch of deprivation of regular income. It was then clear to the management that the union could not sustain the agitation for a long time. Ultimately on August 20, 1966 the chief executive of the bank accepted the request of the general secretary of Anjali Bank Union as well as the secretary of the National Federation for a meeting. At this meeting the two sides reached an agreement to the effect that the federation would be associated with the Anjali Bank union in all negotiations with the management for one year. It was also agreed that correspondence regarding any grievances or disputes could be carried on between the management and the central office of the union and that the Federation would also remain in the picture. It was further agreed that all correspondence on policy matters would be routed through the federation.

#### Towards Reconciliation :

Following the settlement reached between the union and the management, the chief executive of the bank and the general secretary of the Federation jointly visited Lucknow, Calcutta, Allahabad and other branches and met the managers, officers and the dismissed employees of these branches to know at first hand the reasons which prompted the individual acts of indiscipline and the subsequent agitation. At Kanpur, for instance, the chief executive met the branch managers. They described the various acts of indiscipline like disobedience to supervisors, tampering of records, delays in completing documents and discourtesy to customers. At the same time the Federation's general secretary held talks separately with the dismissed and other employees. They complained that the overtime wages were paid unnecessarily and that laxity in office discipline was due to reluctance of officers to enforce discipline. They also complained of discrimination in granting leave and in distributing work among the employees. Many employees were allegedly advised by branch managers not to join the union.

Later there was a joint meeting of branch managers and employees with the chief executive and the general secretary. The chief executive emphasised that it was pointless to make charges and countercharges and that it would be more fruitful to make corrections where the employees had gone wrong. The general secretary emphasised that all disputes must

be resolved through constitutional methods and there was no room for personal abuses in trade union activity. He said that the employees were part and parcel of the organization and should not indulge in acts which were harmful to the industry.

On May 15, 1967 the chief executive, the general secretary and the managers of the affected branches met in Delhi to discuss the question of reinstatement of the dismissed employees. In the first place, the chief executive met the branch managers. All the branch managers at the meeting opposed the reinstatement. The chief executive pointed out that there would be no permanent peace unless they reached an understanding with the union. The only alternative to a negotiated settlement was protracted litigation which was not conducive to harmonious industrial relations.

The branch managers agreed to enforce whatever decision the head office took but pleaded for fixing the responsibility for discipline on the union and urged for a change in union leadership. It was also suggested that some dismissed employees who wanted to resign should be allowed to resign retrospectively. There was also a consensus that no salary should be paid for the period between the date of dismissal and the date of possible reinstatement and that the general secretary of the Federation should be requested to submit a list of employees who should be reinstated so that the bank was not open to any charge of discrimination.

The chief executive then had a separate meeting with the general secretary and conveyed to him the strong feeling among the branch managers against reinstatement of all dismissed employees. He therefore advised him to prepare the union for the unpleasant reality. However, the general secretary appealed for reinstatement of dismissed employees and agreed that the reinstated employees would not claim wages for the period of dismissal.

Then there was a meeting of all the parties - the chief executive, the general secretary and the branch managers. The branch managers complained that there was not much improvement in the attitude of the employees and that they continued to make unfounded allegations against the management.

The general secretary stressed the need for a negotiated settlement of the dispute in the interest of lasting industrial peace. He pleaded that the management should take some calculated risk by reinstating the dismissed employees. The meeting was then addressed by the chief executive who advocated a practical approach to the entire question. He said that no external agency could guarantee discipline in the bank and that it could be ensured only by the management and the employees working together towards that end.

Settlement of Substantive Issues :

In September 1967 the Anjali Bank Union and the management reached a settlement on the dispute on bonus for the period 1957-66. The employees agreed to accept additional bonus at a rate of 17½ per cent of the amount paid earlier by the management for each year during the period. This implied that the employees received considerably less than what the union had earlier demanded on their behalf. For instance, the union agreed to an additional amount of Rs. 127925 besides Rs. 7,31,000 already paid for 1966 as against the union's earlier demand for Rs. 524800 as additional amount. After the bonus question was settled, the general secretary of the Federation requested the bank's board of directors to review and reconsider the cases of the dismissed employees. The board, appreciated the constructive role of the Federation in the negotiations and indicated its desire to help the union create a better climate of employer-employee relations in the bank. The board constituted a negotiating committee including four of its members and the Federation's general secretary to examine the relevant issues regarding reinstatement.

The negotiating committee recommended reinstatement of the dismissed employees. It was suggested that the period between dismissal and reinstatement should be treated as leave without wages and that the reinstated employees should be posted wherever there were vacancies.

The board, however, felt that it would not be fair and feasible to reinstate all dismissed employees. Hence the board discussed alternative proposals with the Federation's general secretary. Eventually, they agreed that nearly ninety per cent of the dismissed employees would be reinstated but posted at the various branches at the discretion of the management. The union also agreed to the board's proposal that the annual increments of certain employees (about ten per cent of the dismissed employees) would be stopped for specific periods.

Some officers offered the following comments on the industrial relations situation in the bank after the settlement.

"In spite of our confrontation in the 1966 agitation, we command respect and trust of the union leaders. In fact, the union and the staff felicitated officers at the various meetings that we attended".

"We cannot forget that the people who agitated against us were essentially part and parcel of the bank. Many of them were promoted to positions of officers and managers after the agitation was withdrawn".

"Once the settlement was reached, we did not retain any bitterness towards employees. There is no evidence of victimization against employees who took part in the agitation".

social bonds prevailing between senior executives and employees clearly reflect an urge for security on both sides. In fact many organizations still insist on only known persons being recruited in order to protect themselves from any potential dishonesty among workers or the perceived misanthropy of unionism. In such a situation, when the management is confronted with trade unionism along with all the economic and other demands as well as charges of victimization and favouritism, as it happened in the present case, it is likely to get baffled and evidently develop hostility towards the union. For instance, a manager such as the chief executive of Anjali Bank might well ask: Why do the employees need to turn towards unionism while the management is honestly interested in their well-being and willing to solve their problems? With this sort of questions in his mind the manager may conclude that it is not only the management's privilege but also its obligation to keep the trade union at bay as long as he can manage to do so. This attitude is usually labelled as an aspect of paternalism but those of us who criticise such a managerial approach may do well to understand the organizational and situational forces operating behind such an approach. As it happened at the initial stage of the preceding story of Anjali Bank, the management in such situations adopts an attitude of indifference or hostility towards unionism, perhaps in the hope that it would wither away as a result of such an attitude.

At the same time one may wonder how enlightened managers tend to overlook the simple fact of our industrial relations structure that the management can hardly avoid or postpone confrontation with an emerging trade union. Our labour legislation provides for government intervention at the request of either of the parties in an industrial dispute. Accordingly, as soon as a trade union sends a copy of its charter of demands, to the government's labour department in accordance with the Industrial Disputes Act 1947, the management is compelled to meet the trade union in the presence of a government officer. The implication of this is that managements often throw away the opportunity to build a bipartite relationship with the trade union when the latter asks for it but soon gets involved in such negotiations at the instance of a third party. In many cases the crucial fall out of this compulsion is that the two parties involved in industrial relations begin on a note of mutual distrust and perhaps hostility. A relationship that begins with such attitudes is unlikely to lead to effective bipartite understanding between management and union.

The above argument is borne out by the events that took place in Anjali Bank after the management realized the need for establishing a bipartite relationship with the union. It appears that at the preliminary meeting both parties had decided to relent from their earlier positions and hence they undertook to help each other in building an

effective bilateral relationship. The discussions that followed in later joint meetings, however, tell a different story. The evidence regarding the first two meetings suggest that while the two parties kept up their apparent urge to help each other, the union had in fact clinched a number of concessions from the management without offering much in return except promises of good intentions in terms of restoration of normalcy in the bank's branches affected by staff agitation, resulting from the telephone incident at Kanpur. This conclusion is reinforced by the fact that the substantive issue of bonus could not be solved at the joint meetings and in fact the management clearly said that this issue should be left to be sorted out by government adjudication.

The happenings at the third and fourth joint meetings clearly indicate that the apparent offer of mutual help and cooperation in the earlier meetings was rather spurious and that the parties were perhaps waiting for a major showdown. At the later meetings the management and the union began to play a win-lose game. For instance when the management brought in the issue of a grievance procedure the union tried to excuse itself by asking for postponement of a decision and in turn demanded that its economic demand should be settled before other issues could be discussed. Perhaps the same spirit prevailed in the management's anxiety over restoration of normalcy in the branches and the union's unwillingness to sign the minutes of the fourth meeting.

Meanwhile the hostility between officers and clerical employees at the branch level continued to grow; apparently a win-lose game was being played at that level also, as one can judge from the accusations and counter-accusations made by the two groups later during the period of reconciliation. The eventual outburst at the Chowranghee branch in Calcutta was only a precipitating factor for the conflict that was progressively building up over the months. It is difficult to figure out whether an adequate awareness on the part of management of what was happening in the branches could have prevented the final showdown between the parties. However, it seems that the union and the employees had now become so much agitated and anxious to retaliate against the management at all levels that they began to indulge in radical action including physical violence in the name of trade union activity. As we have described earlier, employees assaulted male as well as female officers, disrupted normal banking work and, to top it all, publicly questioned the solvency of the bank. For any banking organization the rumour relating to doubt about its solvency is a matter of life and death. In short, the union indulged in activities that were not only beyond the scope of normal democratic trade unionism but clearly aimed at scandalising the organization and physically harassing the officers.

In our understanding, this situation provided to the management a turning point in their thinking and approach towards the union. As the chief executive mentioned to us, he realised the anti-organizational as well as anti-social implications of the action adopted by the union and hence regarded it as his managerial as well as social obligation to teach an effective lesson to the union leadership. At this stage, the chief executive thought he owed it to his organization as well as to the society to fight a war against the union which had indulged in criminal activities. When one decides to fight a war one needs to think of all its aspects and work out his strategy to ensure effective success. Accordingly, the chief executive realised the primary need to take his board of directors into confidence so that he might continue to receive the necessary support from his colleagues as he went along. Similarly he sought and obtained help from the State's legal machinery to make it clear to the employees and their leaders that they could not get away by transgressing the limits of legitimate trade union activity. One major asset in the management's armoury was of course the hostility between officers and employees at the branch level. This hostility helped it not only to maintain the banking service but also to strengthen the loyalty of the officers to the management. The ruthless dismissal of about a hundred employees was possible mainly due to the unreserved support received by the management from the officers. On the other hand, the chief executive and his colleagues realised the need for keeping the concerned government agencies posted on the day to day events of conflict. His decision to post a liaison officer in Delhi and the strategy to ask the branch managers to send daily telegraphic reports to the chief labour commissioner was an action of remarkable foresight in a situation of total conflict. The liaison work, as we have shown above, was done so competently that the chief labour commission felt compelled to threaten the union with punitive action for the breach of the code of discipline, although this code has no legal force behind it. Similarly the management showed a great degree of resilience and clarity of purpose when they refused to succumb to the premature announcement of a settlement made by the National Federation of Bank Workers. The Federation adopted various means to win the "war" by pressuring other banks not to honour Anjali Bank's documents but the chief executive was able to cope with this situation by soliciting the intervention of the Reserve Bank against the union's illegal pressure tactics. There is no doubt that the management of Anjali Bank was taking a great risk by adopting this strategy in relation to the union action as any wrong move on their part could have disrupted the banking services for a long period which is one of the most disastrous things to happen to a bank. However, the chief executive mentioned to us that when he made up his mind to bring the guilty trade unionists to book he had squarely decided to face all the consequences. He said that it would not matter much to the management at that stage if the bank had to be closed down for a few weeks or months, but they could not tolerate anti-social and unethical actions on the part of



employees, such as molestation of officers and attempts to defame the bank.

Another calculation made by the management during the conflict was that the employees would eventually feel the pain of economic loss due to their illegal abstention from work and hence would want to return to work sooner or later. In fact, most employees had become anxious to return to work by August 1966 when the National Federation of Bank Workers decided to intervene in the dispute. At that juncture the management realised that the employees had suffered enough economic deprivation and humiliation and that it was now time to resume negotiations with them. However, as we have seen above, these negotiations were held at the request of the union so that the management continued to have an upper hand in dealing with the union's demands. The union virtually came on its knees during the negotiations in August 1966 as is suggested by its acceptance of the management's demand that the future agreements would be made not exclusively with the Anjali Bank union but jointly with the National Federation as well as the union.

So the "war" was won by the management and it was almost a total victory. However the ticklish issue of dismissal of nearly a hundred employees in various branches had yet to be resolved, apart from the substantive economic and other demands made by the union. In such a situation, some managements may be overwhelmed by their success and continue their anti-union posture, perhaps in the hope that they may succeed in getting rid of union trouble for ever; other may begin to feel guilty of their earlier harshness and try to compensate for it by trying to please the union and employees. In the case of Anjali Bank, however, the strategy followed by the management after the conflict was a strategy based on clear managerial objectives. If the management wanted to teach a lesson to the erring union, the lesson had been well taught by August 1966. However, teaching a lesson to the union or employees was not the primary objective of the management. The primary objective was to maintain and promote organizational efficiency and this would be done only with the help and cooperation of the employees as well as the union. In this context, the period immediately following the settlement of August 1966 marked the second major turning point in the history of industrial relations in Anjali Bank. There were two major issues left to be resolved at that stage. The first was the need to reestablish the working relationship between the officers and workers at the branch level. The second was to take the final managerial decisions regarding the dismissed employees in view of the need to reestablish normal relations. One way to harmonise the relations at the branch level would have been to send out circulars from the management as well as the union, once again expressing promises of hopes and mutual cooperation. However, the Anjali management as well as the union leadership realised that they would not be able to settle the issues at the branch level unless they physically visited the affected branches, met the people, understood their

problems, and found ways to reestablishing the organizational relationships. In this spirit, the chief executive and the secretary of the National Federation of Bank Workers visited the branches and met the people concerned. Here again, the managerial strategy was clearly laid out. It was realized that both the employees as well as the branch managers had grievances against one another and that many psychological barriers existed between them in view of the previous incidents of abuses and assaults. Hence the chief executive requested the union leader to meet the employees without his intervention and he in turn met the branch managers without the union leader's intervention. This approach allowed an opportunity to both the parties to let out their grievances and complaints without fear. Only after this foundation was prepared, they held a joint meeting between managers and employees. Once again people were allowed to ventilate their respective grievances and at the same time understand the view points of one another. In this background, both the chief executive as well as the union leader admitted that mistakes were made on both sides but that it was now necessary to open the way to a new relationship of trust and goodwill between the two groups to serve their mutual interests. This strategy is by any standard worthy of being designated as decision making by joint consultation. It is important to note that the top management realized that while the problem of industrial relations had to be dealt with at the head office, these problems mainly arose among managers and workers at the branch level. Hence such problems could be effectively solved only by taking into confidence the people at the branch level. The managerial strategy for promotion of cooperation among managers and workers matched very well their strategy for handling a situation of total conflict during the earlier period. In both cases, there was a clear organizational purpose, behind the decisions taken by the management.

Finally let us examine the managerial approach to the solution of the cases of the dismissed employees. In the context of the managerial urge to reestablish normal relations with the employees it would have been unrealistic to expect the union to accept dismissal of about a hundred employees. Hence, at the request of the union, the chief executive agreed to consider the cases of dismissed employees sympathetically. However, he decided not to hasten through any decision in this regard as he still wanted to make it clear to the union and the employees that they would not be able to get away with destructive activities. It was in this spirit that the union leader was asked to make a representation to the board of directors on behalf of the dismissed employees. Although the negotiating committee appointed by the board of directors recommended reinstatement of all dismissed employees, the board decided not to reinstate some ten employees who had indulged in extreme types of violent action against the bank and its officers. The board also modified another recommendation some

employees who had indulged in acts of violence. As we have seen the union leader found it somewhat difficult to accept this decision on punishment to the employees but he was left with no other choice in this regard. During our discussion with the management on this issue of punishment we were told that they had no intention to exercise vengeance or victimization against any employee. However in the management's judgement the punishment inflicted was absolutely essential so that the painful lessons of the long agitation and strife were not lost on the people concerned. A clear indication of the management's positive attitude towards all employees is provided by the fact that those who were eligible for promotion according to the existing policy were promoted regardless of their involvement in the agitation. The statement made by one of the officers to the effect that the employees were ultimately their own colleagues and friends is a tribute to the sense of balance with which Anjali Bank management fought a ruthless "war" when it was managerially essential but soon moved towards reconciliation to build up a lasting relationship with the same people against whom the "war" was conducted.

#### IV CONCLUSIONS

The foregoing story of labour relations in Anjali Bank and our analysis of the story lead us to some general observations regarding management of industrial conflict.

In a democratic society such as ours, a trade union is a legally and socially legitimized organization expected to promote and protect the legitimate economic, social and political interests of workers, no less important than those of the management. However, in view of the political and ideological overtones of trade unionism, most managers are reluctant to accept trade unionism among their employees. While some managers publicly express willingness to accept trade unions, in practice they develop an attitude of apathy or aversion towards the unions. Others suffer from a fear complex in their dealings with trade unions, especially if the latter adopt a radical ideology. In many cases, the militant approach adopted by trade unions is in fact a response to the initial managerial attitude towards them<sup>8</sup>. In the background of such psychological barriers, when management and trade unions are compelled to enter bilateral negotiations under government supervision, their relationship assumes the form of a win-lose struggle rather than one of mutual understanding and bargaining between equals. Management is often worried about the possibility of the union becoming strong and powerful if it is allowed to establish a bargaining relationship. Hence the management's strategy with regard to the union is to

avoid it as far as possible. On the other hand, some managements are concerned about the potential threat posed by the unions and consequently adopt a policy of appeasement of the union, as it seems to have happened during the initial joint meetings between the Anjali parties in Anjali Bank.

However, in such a situation the union may get over enthusiastic about clinching concessions from management. As long as the union operates within the legal and ethical limits of unionism, management may gradually get over the initial fear complex and establish an effective bargaining relationship with the union. On the other hand, the union may want to take advantage of its initial position of strength and hence cross the legal and ethical limits of unionism. This is the time when management needs to formulate a clear strategy for dealing with union activities. It may decide to continue its initial policy of appeasement in the hope of maintaining harmony and avoiding conflict. This approach may help the management in the short run, but the union may learn to clinch concessions from management by resorting to strikes, and agitations. In the long run therefore management may continue to lose in the power-game with the union. Alternatively, management may take a long term view of union activities and decide to have a candid confrontation with it to make it understand that it has to operate within the prescribed limits of legitimate union activities. This decision may imply sacrifices on the part of management during the struggle with the union, but it may prove to be managerially essential to avoid continual threats of agitation by the union. Secondly, management may regard it as a social responsibility to make the union learn its own responsibility towards management as well as the wider society. To this end, a struggle with the union may be inevitable, whatever the economic and other price it may have to pay in the process. When such a decision to fight it out is made, the situation is very similar to that of war between nations. Management has to fully prepare itself with the logistics of the struggle, as was done by Anjali Bank management.

But the most crucial stage in the management's confrontation with the union is reached if and when the "war" is won by management. At this stage, the parties may continue their immediately preceding attitude of antagonism or may revert to the earlier attitude of fear or apathy. Here again, the decision has to be a managerial decision. It should be realised that while the "war" with the union was necessary in terms of managerial objectives, it was not the management's objective to banquish the union. Hence as soon as the struggle is over, the management needs to move towards reconciliation, in the awareness that the main organizational goals of productivity or efficient service can be achieved only with the active help and cooperation of employees. It should also be realised that effective reconciliation needs to be

achieved not only at the top levels of management as well as union, but mainly at the level of branches or units where the majority of employees work. It needs considerable psychological adjustment and competence on the part of top management to go down to the grass-roots levels of industrial relations and work towards lasting reconciliation by admitting mistakes, on both sides. However, such a move is managerially necessary as much as a "war" with the union is managerially necessary in another situation.

In Industrial relations there are no permanent adversaries, either at individual and group levels. There may only be times when conflict has to be managed bluntly on managerial issues and with the intention to achieve long-term managerial objectives. One hopes that managers in public and private enterprise will provide increasing evidence of ability and willingness to deal with problems of industrial relations with such clarity of managerial objectives and strategy.

### REFERENCES

1. The observations made in this paragraph are based on formal and informal discussions with many managers on issues regarding industrial relations.
2. This statement is based on Air Chief Marshal P.C.Lal's statement reported in the Times of India, November 13, 1973.
3. This information is based on news reports in the Times of India between May 7, 1974 and May 28, 1974.
4. The information presented in this paper is summarized from a series of three cases entitled Anjali Bank(A), (B) and (C) prepared by B.G.Shah, N.R.Sheth and Gopal Krishna as teaching material for Indian Institute of Management, Ahmedabad. We gratefully acknowledge the collaboration we received from our former colleague Mr.Gopal Krishna who assiduously collected the data for the case series. We would also like to acknowledge the indirect help received from a large number of participants in various training programmes where we used the case series as a basis for learning.
5. The Code of Discipline provides, among other things, for an agreement between management and union to work in a spirit of cooperation and refrain from activities likely to disrupt production and industrial harmony.
6. Section 18 of the Indian Trade Unions Act (1926) grants immunity from legal proceedings to members of trade unions for any action in promotion of a trade dispute on the ground of breach of contract of service.
7. Article 19 of the Constitution of India guarantees to all citizens the right to freedom of speech and expression, to assemble peaceably, to form associations, etc.
8. See, for instance, Labour Protest in India : Attitude or Response? by Ishwar Dayal, The Economic Times, July 3 and 4, 1970.

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