CHAPTER-6 - MANAGEMENT

BACKGROUND AND MANAGEMENT MATRIX

6.1 In Chapter 5 while analysing various factors which can be quantitatively expressed, it has been brought out that behind each primary factor, there are secondary and tertiary factors namely the Management, the Government and the Man. Impact of these factors cannot be studied by ratio technique but nevertheless, it can be assessed empirically. In this Chapter, an attempt is made to briefly explain the Management structure, philosophy and matrix of PEs and of the identified enterprises in Section 6.1. Section 6.2 and 6.3 deal with financial and personnel management in the identified enterprises, Government, Parliament, control, autonomy, etc. are discussed in Section 6.4. Other exogenous factors i.e. union and location dealt in Section 6.5 and concept of Public Sector culture is summed up in Section 6.6.

6.1.1 ORGANISATIONAL STRUCTURE

A good organisation structure does not by itself produce good performance just as good constitution does not guarantee great presidents or good laws of moral society. But a poor organisation structure makes good performance impossible! .. improved organisation structure will, therefore, always improve performance.[1]

The structure of a firm's organisation establishes the authority (and responsibility) relationships amongst its personnel. It constitutes a frame work that determines to a great extent, the manner in which various groups of people work together. The underlying purpose of organisation is to facilitate co-operation and channelise efforts of all towards a common goal. The basic concept of organisation are:

(a) Functionalisation
(b) Control
(c) Coordination

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1. Peter F. Drucker - The Practice of Management - Harper & Row Inc. - New York - 1954, pg. 225.

Government had appointed study team in 1967 comprising of Indian experts and four experts from TVA, USA[1] to study organisation structure of Public Sector Fertiliser Enterprises in view of its projected expansions. The team considered four separate alternatives (a) Separate companies (b) Holding company (c) Separate marketing company and (d) Single corporation. The team had recommended single fertilizer corporation. This concept continued till 1978 when FCI was restructured into four separate companies against all the then prevailing thinking, Steel plants were consolidated into a holding company (SAIL). While Fertilizer Corporation was split into separate companies - two digonal approaches. This reveals lack of uniformity in policy decisions. Splitting of the companies had also resulted in increased overheads.

Considering various aspects, merits and demerits of each structure and experiences on functioning of SAIL, structural form of holding company or Apex Corporation would be an ideal one for major public sector groups in India - like Fertilizer, coal, engineering, pharmaceuticals, instrumentation.

MANAGEMENT STRUCTURE - BOARD OF DIRECTORS AND CHIEF EXECUTIVES

The prime responsibility for running Public Enterprises along business lines is vested in the Board of Director. The board consists of functional directors appointed by the Government and other nominated directors from the concerned Ministry, Finance Ministry, Industry and Trade. "It is the Board which is expected to have largest possible measure of freedom. While in purely organisational terms this pattern exists, in operational terms, there has been a strong trend towards running the enterprises on departmental lines and circumventing their freedom by regulations and traditions"[2] which leave little freedom to take major

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1 Report of the Fertilizer study team-October-December 67-GOI publication.

2 EARC Report No. 2

decisions and while for minor ones, they often have to seek formal or informal approval of the Government Department." In the Board Meetings, generally Government Directors have a strong say.

Day-to-day operations are looked after by the Chief Executive generally designated as Managind Director or Chairman & Managing Director, and is appointed by the Government on a contract basis. In case of Managing Director, there is a part-time Chairman that too is appointed by the Government. The appointment of MD/CMD is made by the Government on the recommendations of Public Enterprises Selection Board. The initial tenure of appointment of the Managing Director/Chairman & Managing Director is two years to be renewed at the option of the Government for another 3 years or so depending upon the age of the incumbent.[1] It is not obligatory for the Government to accept the recommendation of the selection board. Many a times, the recommendations are set aside and alternative appointments are made on administrative or other considerations. The Managing Director is equal to the rank of Joint Secretaries and pay scales of Directors are governed by Government scales.

Depending upon the nature and size of investment in the undertaking, the Government has fixed up four schedules categorising the undertaking viz. Schedule A, B,C & D. The present scales of the Managing Director of these 4 schedules are:

Schedule A	...	Rs. 4,500 to 5,000
Schedule B	...	Rs. 4,000 to 4,500
Schedule C	...	Rs. 3,500 to 4,000
Schedule D	...	Rs. 3,000 to 3,700

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1 "Arjun Sengupta Committee has recommended a tenure of 5 years. (Why there should be a tenure for Chief Executives, when there is no tenure for Administrative Chief or Heads of Department)"

The Fertilizer study team[1] had recommended Board of six or seven members made up of four full time functional directors and two Government representatives. Till 1978, composite FCI had 3-4 Functional Director on Board, but after bifurcation only Director Finance remained on Board of each enterprise, other posts were never filled up. This resulted in a vaccum for filling level I and level II posts.

During the study of the identified units, it is revealed that after the restructure of old FCI, the 4 Managing Directors were from the second line i.e. from the rank of General Managers. But when these Chief Executives retired in NFL, FCI, HFC, PSEB selected the persons from outside for posting in these companies. And this took quite some time. As an adhoc arrangement, director finance was asked to look after. Such approaches dilute the efficiency of the management and continuity get disrupted. Further, the organizational structure is so developed by the Chief Executives that they do not encourage and groom the second level to take his position. In RCF which has been doing very well, but the second level has not been developed and its consequences will be felt on the retirement of the Chief Executive.

6.1.2 STAFFING PATTERN OF IDENTIFIED ENTERPRISES.

The organisational strucutre of identified enterprises is given at Appendix-VII. It is a seven tier structure at plant level starting from Asstt. Engineer/Officer, Engineer/Officer, Asstt. Chief, Dy. Chief, Chief, Sr. Manager and General Manager. Above this, there are two levels - Director and Managing Director. Functional management is supported by ministerial and secretarial staff on administration side and technicians on maintenance and operation side in different scales.

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1 Report of the Study Team on Fertiliser Industry Oct. - Dec. 1967. - GOI Publication 1968.

There are 3 cadres in supervisory level and 6 cadres in unionised category. Category of the employees in the fertilizer enterprises is given at Appendix- and their pay-structure at Appendix X.

Further, as a general rule, all the enterprises recruit adequate number of executive trainees in the field of engineering, finance, research, materials etc. to keep vitality of the organisation. Each plant of the enterprise has its won training centre for inplant training of operators, technicians and engineers in various discipline.

6.1.3 CONTROLLING MINISTRY.

Individual enterprises are responsible to the controlling ministry which sets objectives for the enterprises from time to time and reviews the planned performance. Thus, fertilizer enterprises were being administered by the Ministry of Fertilizers and Chemicals earlier and from 1986 by Ministry of Agriculture and Rural Development.

The bureaucrates in the Government, often, work as critics, rather than solving problems and rendering assistance to Chief Executives (Para 5.6.4) in tackling exogenous factor. Innumberable reports - annual, half yearly, quarterly, monthly, are called for from the enterprises. 'It is not that all this enormous inflow of information is fully utilised for control or decision making; A good deal of the information merely gets burried in the files.'[1] Even though all informations are generally available with the department in the ministry, telexes are sent to enterprises on Parliament questions and other information sought for by the Minister, for top priority reply. Decisions on important issues which are within the jurisdiction of the Government as 'owner' are mostly delayed. Chief Executives are frequently summoned by the Secretary and some times, even kept waiting.

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* EARC II Report-2.

6.1.4 BUREAU OF PUBLIC ENTERPRISE.

The Government had set up Bureau of Public Enterprises(BPE)*, under Ministry of Finance to monitor overall financial control, to review performance and act as a watchdog for the Public Sector Enterprises. BPE, as a central coordinating authority, issues general guidelines and sets norms for Public Enterprises for various disciplines in finance, personnel, production, construction, material management. The functions of BPE are given in Appendix-XI.

BPE reviews the performance of all the Central Government Undertakings and compiles the performance data every year and publishes in a consolidated volume known as Public Enterprises survey. The survey is put up to the Parliament for their perusal.

There have been criticism of the BPE guidelines from the Public Sector Chief Executives, who found many of these guidelines irrelevant, cumbersome & counter productive in their work. "There is much substance in such criticism and indeed such guidelines would not have emanated from the BPE, had that organisation been independent, if the Government had a close interface relationship with the public Sector, and further more, if it had been manned by men from the Public Sector under the inter-transfer arrangements. BPE as a part of Government became a stagnant pool staffed by procedure oriented staff which was to over-see the working of result oriented Public Sector managers. The BPE had over stretched its role and authority in many a matter which could have better been left to the discretion of the Chief Executives and their team in the Public Enterprises. The BPE had arrogated itself in regard to wage settlements for which Senior Managers and even Chief Executives had to wait on and sit with Junior Officers in the BPE, who had never faced dialogue or confrontation with the labour union, as did Chief Executives of the Public Enterprises."[1] There is a strong need to restructure and redefine BPE and its obligations to Public Sector.

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* Recommendations of ARC 1970.

1 R K Nigam - Towards vibrant Public Sector.

6.1.5 PARLIAMENT.

The Public Enterprise is accountable to the Parliament.* Parliament has also Committee on Public Undertakings (COPU)* and Public Accounts Committee (PAC) which time to time visits, reviews and audits the performance of PEs. Parliament exercises its control through 'questions', which encompass all issues regarding employment, operations, contracting, performance, actions, proprietory of dealings and decisions. This anticipated 'fear' of Parliament question make the Chief Executive a little shaky and indecisive which can affect performance.

6.1.6 PUBLIC ENTERPRISES SELECTION BOARD & RECRUITMENT.

From the view point of identifying best brains for the top management of the Public Sector Enterprises, the Government had set up Public Enterprises Selection Board (PESB) with a permanent Chairman and members. The Board interviews and recommends to the Ministry/Department in-charge of the Undertaking for recruitment to level I and II, i.e. the Chief Executives and Directors of the enterprises. The President finally approves the appointment. PESB was mainly constituted to select Chief Executives and functional Directors to man PE but there is a wide spread feeling with the Public Sector and outside that PESB has fallen into disuse and disrepute since it has lost its credentials as an independent and competent body. It has failed to organise a pool of management talent. There is a need to recast the constitution, function and procedures of PESB. EARC had suggested a statury Public Enterprises Selection Commission modelled on the line of UPSC, whose recommendations will have a mandatory force.

PESB should also maintain an upto-date list of Chief Executives, functional Directors, their superannuation date and take timely action (may be in consultation with controlling ministry) to place incumbent in position at least six months in advance to ensure continuity of management.

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* Copu is an arm of Parliament created from 1.5.64 -Appnd.-XII

6.1.7 STANDING CONFERENCE ON PUBLIC ENTERPRISES.

The Government has been making constant endeavour to develop a uniform strategy for the efficient management of the Public Sector. With this end in view the standing conference of Public Enterprises (SCOPE) was formed as Central representative body of Public Sector.

6.1.8 GOVERNMENT AUDIT.

Controller and Auditor General (CAG), GOI audits the working of the Public Sector. In some enterprise, like in FCI at Sindri, Audit Officer is permanently posted. The annual report is submitted to the Government and the Parliament.

In actual practice audit is a postmortem of decisions taken and commitments made vis-a-vis procedures and delegation of powers. Most of the objections raised by auditors are explained by the executives or some-how managed. Seldom any 'para' is made. Audit, no doubt, provides a 'check' on improprietory decisions but it acts more as deterrent for quick decisions and normally a 'committee procedure' is adopted which results in delays. Fault finding approach of audit severely inhibits managerial efficiency. There is, therefore, a need to redefine precise parameters of proprietory audit by CAG.

6.1.9 VIGILANCE.

Public Sector Executives are subjected to vigilance & CBI, Each plant of identified enterprise has a vigilance officer with Director (Finance) as Chief Vigilance Officer. No doubt, Public Sector is public and any misappropriation of funds, or misuse of power should be brought to notice and eliminated But in actual practice, it has failed to do so and has only contributed to nuisance value by acting on informations and complaints. "The fear of vigilance agencies haunts the minds of even honest managers in public enterprises".[1] There is a need to redefine the concept, role and approaches of 'vigilance' in Public Sector.

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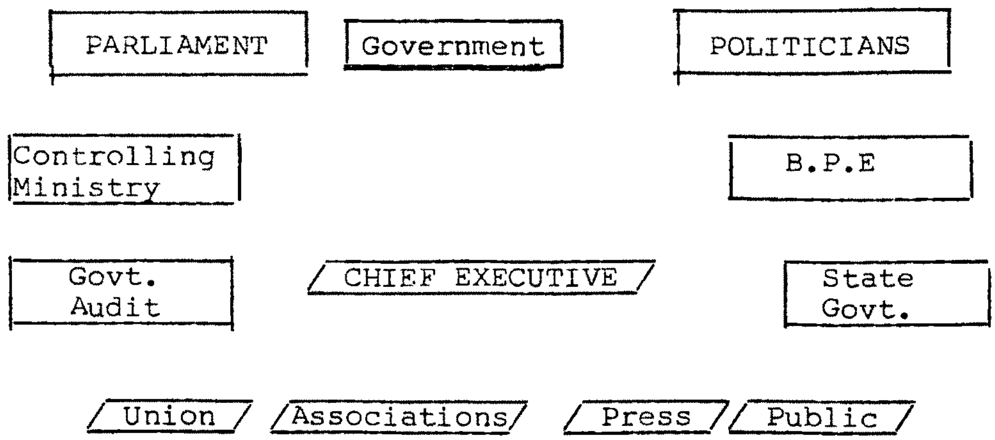
1 R.K. Nigam - Towards Vibrant Public Sector - Para 1.43

6.1.10 PUBLIC SECTOR ENVIRONMENTAL MATRIX.



Public Sector matrix is different from private sector in as much as constraints arising out of different sources are many and of varying nature, and objectives are not clearly spelt out. Though some constraints are of control type like (Audit, BPE, controlling ministry), other constraints are more of nuisance value and of exploiting nature. The efficiency of the management lies on creating congenial environment conducive to productivity and in keeping nuisance value of constraints at a very low level.

Public Enterprises have a complicated management matrix with multiple objects and multiple bosses as would be seen from the agencies listed below which guide/control /criticise/affect Public Enterprise working.

i) Public Accounts Committee (PAC)
ii) Committee on Public Undertakings (COPU)
iii) Controller & Auditor General(Govt. Audit.)
iv) Administrative Ministry
(overall control - Performance & expansion)
v) Planning Commission
(for investment proposals & revised estimates)
vi) Public investment board (Scrutiny of investment proposals & revised estimates).

vii) Public Enterprises Selection Board
(for selection of Chief Executives & Functional Directors)

viii) Department of Personnel
(guide overall personnel policies)

ix) Bureau of Public Enterprises (Monitor)

x) Bureau of Industrial Costs & Prices (for pricing)

xi) Fertilizer Industries Coordination Committee
(Norms and Subsidy)

xii) Collaborators and Aid givers
(Control and impose their procedures)

xiii) Trade Union }
xiv) Competitors } Always demanding.
xv) Suppliers }
xvi Employees }
xvii Public }
xviii) Press } (critic)
xix) Vigilance & CBI (Proprietory)
xx) Accountability to various Dept. in Govt. BPE, Parliament.

6.1.11 PUBLIC V/S PRIVATE SECTOR

While in private, the management has to take care of agencies at (xii - xvi) only. Let us look at the practices followed by the private sector vis-a-vis Public Sector practices applicable to identified enterprises as well, as presented below.

Table-47 COMPARISON BETWEEN PUBLIC SECTOR & PRIVATE SECTOR MANAGEMENT PRACTICES

Sr. No.	ACTIVITY.	PUBLIC	PRIVATE
A-OWNER.			
1	Identity	Government	Private Managing Agency/ Partners.
2	Object/Goal	Multiple	Profit.
3	Involvement	Indirect	Direct
4	Concern for Results.	Impersonal	Personal
5	Decision making	Slow	Fast
6	Red Tappism	100%	Little
7	Control	Through instruction	Through action
8	Report calling	Too much	Only important
9	Action on Report	Casual	Firm
10	Anxiety to fill in Chief Executive Post	Casual	Definite
B	CHIEF EXECUTIVE		
1	Tenure of Chief Executive/MD	Definite 2 years (now proposed to increase 5 Yrs.)	Indefinite (till he proves useless or upgraded)
2	Method of selection of Chief Executive	Rigorous procedure through PESB and approval by Government.	Simple and quick procedure in advance.
3	Accountability of Chief Executive	To Board of Directors, Secretary of the Govt. to Parliament, to public accounts committee, to Govt. Audit & Statutory Audit and internal audit	To Board of Director and Statutory audit.
4	Powers	Adequate	Adequate
5	Flexibility in pricing policy.	No	Yes

* Comparison is based on personal interview.

Sr. No.	ACTIVITY	PUBLIC	PRIVATE
C-	AREA OF MANAGEMENT DECISION		
1	Location of Project	Government (Admn. Ministry)	Board of Director
2	Selection of technology	"	"
3	Salaries and wage structure	"	"
4	Welfare policies	"	"
5	Price of product	30% cases Govt.	" except for identified products under statutory control.
6	Investment decision	Government	Board of Directors
7	Diversification	"	"
8	Award of contract	GM (40 Lacs) Chief Executive (100 Lacs) Board of Director Govt. above certain level for capital equipment only.	Chief Executive Board of Director
9	Purchasing	a. Lowest Tender concept.	Lowest from screened supplier
		b. Rigid procedural manual	Formal manual
		c. Price preference for PE	No preference.
			Major items on negotiated prices
D -	FINANCIAL MANAGEMENT.		
1	Financial policies	Elaborate manuals	Guideline manuals
2	Financial discipline	More of accounting type	Rigid discipline
3	Financial planning & control	Casual	Effective
4	Systems	Yes	Yes - more practical
5	Inventory management	Inefficient	Efficient
6	Yard stick of performance	Not clearly spelt-out often commau-flaged under social obligation concept	Profits.
7	Decision making	Slow	Quick

* Comparison is based on personal interview.

Sr. No.	ACTIVITY	PUBLIC	PRIVATE
E - GENERAL MANAGEMENT.			
1	Working pattern	Governmental with tinge of red-tappism	Commercial
2	Decision capability of manager	Subdued medio	High
3	Economy consciousness	On paper	Yes
4	Result oriented	Casual	Specific
5	Co-relation between responsibility and authority	Diffused	Specific
6	Tendency to explain irresponsibility	Yes (pass on bug approach)	No
7	Internal politics	More	Less
8	Action for time bound job	Specific but not vigorous	Specific and vigorous.
9	Delegation of powers.	Yes But not utilised	Yes, specific.
10	Paper work and report.	Too much Too many	Not much selective reports.
11	Reward for work	Seldom rewarded	Often rewarded
12	Distribution of work	Lack clarity	Clarity
13	Time consciousness	so so	Yes.
F - PERSONNEL.			
1	Personnel selection methods.	Elaborate formal.	Mostly personal, Management picks up best talent-Campus selections.
2	Personnel policies	Elaborate have bulky manual but often byepassed	practical
3	Graduate trainee scheme	Yes	Yes (campus selection
4	Favouritism	Yes Manipulations	Accepted norm.
5	Promotions	Often seniority, time bound.	Capability, merit.

Sr. No.	ACTIVITY	PUBLIC	PRIVATE
	F-PERSONNEL (CONTINUED)		
6	Chances of removal of inefficient.	None	Yes
7	Work tempo of employees	Casual	Definite
8	Union activities	Active	Active
9	Promotion craze	Significant	Not much
10	Promotion and efficiency relation	Not significant	Much prevalent
11	Punishment	Yes, but after elaborate enquiry	Yes, quick decision.
12	Hard and sincere work	Not recognised	Recognised
13	Number of employees per unit of sale	Proportionately large.	Proportionately less.
14	Average wage per employee	Less	High
15	(a) Management cadre	Comparatively less	Comparatively high
	(b) Workers	Proportionately more	Proportionately less.
16	Respect with fear	Not significant	Significant.
17	Working discipline	so so	Effective.
18	Working hours:		
	Technical	48	48
	Ministerial	39	39/48
19	No. of leaves:		
	Earned leave	30	30/15
	Holidays	15-18	7-10
	Casual leave	12	7
	Medical leave	10	Not uniform.
	Medical benefits	Unlimited	Fixed annual sum.
20	Leave travel concession	Yes	Yes
21	Confidential Report	Important tool	Not important.
22	Motivation	Casual	Yes
23	Employment mix	Imbalanced Leaning towards inverted pyramid	Proper.

Sr. No.	ACTIVITY	PUBLIC	PRIVATE
24	Hire fire policy	Absent	Prevalent to some extent.
25	Security of job	100%	No
26	Incentive schemes	Sometimes	Yes

The intention of working a comparison of management practices in Public and Private Sector, is to, bring to focus, the important deviations which do contribute to management efficiency. For example security and time bound promotion bring in 'Stagnation' and inhabits development. It is true, that all private sectors are not doing well and many turning sick, but it is not in the scope of this study to probe into reasons for the same.

Public Sector was formed to combine 'what is best in 'public' with what is best in private'. It is in this context that this comparison can be useful and provide a guideline for implementation of a policy, some of the practices of private sector for improving performance of the public sector.

6.1.12 PUBLIC SECTOR STUDY GROUPS.

In India, the Public Sector is a precise and voluminous history of thirty seven years. During this period, number of changes and improvement in the philosophy of management of Public Enterprises and its performance appraisal have been advocated and implemented from time to time. Public Sector managers are given training and reorientation courses at the Institute of Managements and the Administrative Staff College. SCOPE and BPE arrange conventions and seminars to exchange views of executives on variety of problems ranging from production, maintenance, human relation, marketing, pricing, Management Development, Government Control, Autonomy, tenure and pay scales of Chief Executives, objectives, performance evaluation criterion, etc. to improve the overall performance. Institute of Public Enterprises, Hyderabad and Centre for Public Sector studies, New Delhi are wholly devoted to the study of the Public Sector Management. Centre for monitoring Indian economy, Bombay, Documentation Centre, New Delhi, standing conference of Public Enterprises (SCOPE), Management Associations, productivity councils regularly publishes its findings as a rich contribution towards concept of Public Sector Management. United Nations Technical Corporation for Development sponsers studies on Public Sector, its performance, performance evaluation etc. Thus, Public Sectors is having extensive coverage for advance studies and improvement in management technique. How far this has helped Management efficiency, productivity and profitability is a debatable issue? Not much, on surface,except the change of organisational structure or tenure of Chief Executives (from 2 to 5 years) or appointment of some more committees. These studies and conventions have even not succeeded in ensuring the implementation of a procedure whereby Chief Executive can be earmarked and allowed to work with retiring Chief Executive to maintain continuity of management. This is probably the basic concept of management and Personnel Management but sadly neglected, (probably intentionally) and therefore all other efforts to improve techniques remain less effective - an intelligent man's academic exercise, which do bring results but not in proportion to the resources employed.

6.2 FINANCIAL MANAGEMENT

6.2.1 Of the factors contributing to poor performance of any enterprise, including Public Sector, management inefficiency appeared to be major one. Of the various aspects of management viz. Production Management, Purchase & Stores Management, Sales Management, Personnel Management, Financial Management, etc., finance and personnel management seems to be most weak and least dynamic in the case of identified enterprises. It is not in the scope of the study to analyse finance function, but nevertheless an attempt is made through interviews and discussions to feel the pulse of the financial planning and control.

In manufacturing industries, there are three primary business functions which must be performed if goods are to be produced and distributed to the members of society: These are production, distribution and finance[1]. Finance function has a close relation to both production and distribution functions. Because, almost all kinds of actions in the area of production, distribution or marketing directly or atleast indirectly, involve the acquisition and use of money.

6.2.2 PLANNING AND CONTROL

Effecient and economic use of money will increase profits. Hence, the importance of Financial Planning & Control in an enterprise. Financial Planning is the act of deciding in advance the financial activities that are essential if the enterprise is to achieve the projected profits and physical norms for operating the plant. It involves three fundamental steps: One, determining both long-term and short-term financial objectives; two, formulating and promulgating financial policies and three, developing procedures that aid in the promulgation of the enterprise's financial policies.

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1 Brand Louis Business Finance & Management approach - Longmengreen - London 1965 - Pg.365.

Planning should, however, be complemented by controls. The result of the enterprises should be measured concurrently against projections. To judge the effectiveness of financial planning, financial control is the most important process of financial management. This financial control function is composed of four distinct phases and each phase is referred to as a step. These steps are: (i) determination of operational standards, (ii) evaluation of the enterprises actual performance in relation to predetermined standards, (iii) instigation of corrective action in the case of deviations and (iv) follow-up action to ascertain whether corrective action is effective.

The profitability and the consequent stability of an enterprise depends on the manner its finance functions, especially, planning & control functions are performed. Profitability is the result of the means and methods employed in planning & controlling various functions of business[1]. In chapter 5, an attempt was made to have a comparative study of the achievements of physical norms and their co-relation with financial profitability. The factors which affect profitability and which are either directly or at least indirectly connected with the financial planning and control are;

(i) Project planning and execution,
(ii) Capital structure decision,
(iii) Pricing policy of the products,
(iv) Regulation of inventories & accounts receivable,
(v) Imbalanced factor composition,
(vi) Cost efficiency, and
(vii) Working capital decisions including its financing.

These are briefly examined.

1 Mohsin M. Financial Planning & Control, P.1

(i) PRCJECT PLANNING AND EXECUTION

Project planning & project execution have a direct relation to the cost of the project and ultimately to the cost of production and consequently to the profitability of that project. This has been elaborately dealt with under project implementation, cost and time over runs and over capitalisation (5.1).

(ii) CAPITAL STRUCTURE DECISION

The proper capital structure decision has a favourable impact on the profitability. But this decision appeared to be faulty in the case of identified Fertilizer Enterprices. In the capital structure of the enterprises under Fertilizer Sector, loan capital was excessively high at the time of establishment of these enterprises. High loan capital ratio adversely affect the profitability of the enterprises as large amount of interest on loan capital is debited to profit and loss account as a charge against profits. In case of the identified enterprises debt equity ratio for the year 1984-85 works out as under;*

FCI	...	...	1.00 : 1
MFC	...	...	1.06 : 1
NFL	...	...	0.24 : 1
RCF	...	...	0.60 : 1

The appropriate debt equity ratio[1] in Indian context is 0.50:1.

The debt equity ratio of FCI and HFC who are chronic losers, is very high while that of RCF is near appropriate and of NFL on lower side.

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* Computed from balance sheet data.

1 Mathur, B.P. Public Enterprises in perspective (Aspects of Financial Administration & Control), Pg.138.

(iii) PRICING POLICY OF THE PRODUCTS

The product pricing policy of an enterprise has a direct bearing on the sales revenue and inturn on the profitability of that enterprise. This is so, because the earning power of an enterprise is conditioned by the factors affecting the system of pricing of the products. Therefore, a defective pricing policy will greatly hamper the profitability of an enterprise.

'Pricing policy of public enterprises in India differs from that of Private Enterprises, in that it has a Micro objective as well as a Macro implication'.[1]

In case of fertilizer (Urea) prices are fixed by the Government as per recommendation of the FICC and 12 percent return on net worth is allowed to the enterprise subject to achievement of 80% capacity utilisation and prescribed consumption norms. However, for products other than fertilizer (covered by FICC), prices are fixed by the enterprises. Other products manufactured are;

NFL	-	Methanol
RCF, Trombay	-	Methanol, mixed fertilizer & Argon, Methylamine Sodium Nitrite/Nitrate, Ammonium bi-carbonate.

Pricing policy followed in PE have been varied and diverse such as;

(a) Cost plus pricing
(b) Marginal cost pricing
(c) Discriminatory pricing
(d) Import based pricing
(e) Externally determines pricing

For the products not under perview of FICC, generally import based pricing is followed, taking into account cost.

Diversification of product range has helped NFL and RCF to improve their profitability.

1 Pricing and investment in Public Enterprises V.V. Ramanathan (sd) Oxford IBH, New Delhi 1979.

(iv) REGULATION OF INVENTORY

Inventories is the vital component of working capital which influence the size of working capital to a great extent. Therefore, effective regulation of this current asset is imperative from the view point of efficient maintenance of liquidity of an enterprise. Inventory management has been elaborately examined in Chapter 5, Section 5.6. Poor inventory management is the result of inefficient material planning and financial control.

(v) IMBALANCED FACTOR COMPOSITION

Excessive acquisition of land, surplus manpower, high administrative expenditure, over staffing, etc. are examples of imbalanced factor composition.[1] Each of these exercises pressure on total cost & ultimately results in low profitability of an enterprise.

In FCI and HFC, there is surplus manpower (Table 38 & 39) which besides increasing costs, contribute to other management problem. This too accounts for inefficient control.

(vi) COST EFFICIENCY

Cost efficiency directly influences the profitability of an enterprise. Higher cost of production adversely affects the earning power and hence, results in low profitability.

A general feeling prevails that the cost of production in the Public Sector industries in India is on the high side.[1] In order to examine how far this feeling has been applicable in the case of the identified enterprises during the period under review, the trend of cost of production as given in Table 28.

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1 Sharma, B.S. Financial Planning in Indian Public Sector : A Management Approach - Pg.157

6.3 OUTCOME OF DISCUSSIONS AND INTERVIEWS.

From the discussions held with the Finance Executives, the study can be concluded with the following observations:

(a) All enterprises have finance manuals describing organisation procedures, delegation of powers for committing expenditure, formats and other related issues, but pragmatic planning of expenditure and its delibrate control is not much exercised. The major concern of the finance executives is to keep the files clean and not economy or efficiency.

(b) There is no systematic review & control over unproductive expenditure. Review takes place on adhoc basis at the instance of Chief Executive or on a querry from some quarter. Self motivation is rare. Comparatively in this area also RCF is little better placed.

(c) The enterprises have not tried to use the budget as a tool in the meaningful way as a performance budget. The annual budget have rarely been scanned for verification. Little attempt has been made to formulate responsibilities budgeting to separate controllable and uncontrollable factors of different levels of management.

(d) All executives including Director Finance are busy with files and have no time to 'think' for betterment of the enterprise. It may not be wrong to mention that the Senior Managers and Executives of level I to III are paid for 'thinking' for the enterprise and not signing 'routine' orders, control is to be effected through delegation of powers and obtaining essential feed back and selective report. This practice is invariably not in existence.

(e) Some of the important financial planning & control functions namely, determination of short-term financial objectives, introduction of budgetory control and its main ingredients, standard costing, and analysis and interpretation of financial statements through ratio analysis, fund flow analysis and break-even analysis had not been performed efficiently in the enterprises.

(f) Most of the decision making finance functions of the enterprises such as capital investment decision function, capital structure decision function, fixation of long-term financial objectives, etc., had been performed by the Government and enterprise finance feels relieved of this.

(g) The enterprises management had to function under the strict departmental control in that it had to submit regularly its performance reports, annual accounts & budget estimates to the corporation and the controlling ministries, and its accounts and affairs were subjected to three types of audits each year. All efforts of the finance executives are oriented to see that audit querries are avoided.

(h) There had been frequent changes in the top management of the FCI & HFC which has affected continuity of direction and supervision and control.

(i) Absence of clearly defined as well as realistic objectives, targets, efficiency levels, cash surplus generations, etc., in the cases of the enterprises and absence of any clear-cut line of demarcation of responsibility between the controlling ministries, sector corporations and the enterprises have paved the way to concealing the inefficiency of the enterprise management.

6.3 PERSONNEL MANAGEMENT.

6.3.1 BACKGROUND.

Personnel Management is very important function aiming at developing motivation, culture, work potentiality, willingness, and the job satisfaction, and personal need realisation, etc. of the employee, which are all abstract but very vital to productivity performance and profitability.[1] Out of all the factors of production, viz. man, machines and money, man is by far the most important constituent. It is man, who is behind the machine, who operates it, who maintains it. If he is unwilling worker or manager and develops indifferent attitude it can do more harm than good to the Enterprise. Man is subtle, it has mind and it has ego. "Man comes to work to satisfy his physiological, security, social, intellectual, self actualisation needs. He brings to work situation his energy, his potentialities to perform and satisfy various needs and in turn expects proportionate rewards and recognition.[2]"

6.3.2 REVIEW OF PERSONNEL MANAGEMENT PRACTICES.

Personnel Management is not merely maintenance of personnel's files, creating and dealing with cases but it is a socio-psyco approach aiming at evolving out a satisfied carefree worker. This concept is totally nonexistent in the identified enterprises.

It is not in the scope of the study to go deep into the personnel management practices and procedures prevalent in the identified enterprises but nevertheless an attempt had been made to collect information, impressions and views on various issues of different categories of employees, viz. young trainees, middle level officers and workers, old managers, supervisors through interviews and questionnaire as at Appendix- and compile then. The gist of replies on various issues is given hereunder:

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1. Deen Bandhu, Manager, Human Capital & Productivity. "Productivity" NPC July, 62.
2. David R. Hampton - Organisational behaviour and the practices of Management - Foresmen & Co- 1973.

1. Personal manuals :

All the four identified enterprises have elaborate Personnel Manuals which contain recruitment rules, specifications for various posts, eligibility for promotion, promotion policies, leave rules, encashment of leave, medical benefits, other benefits like group insurance, selection committees, confidential reports, powers to creat posts, casual appointment conditions, etc. But whenever required rules are byepassed.

2. Approach & work culture :

'Personnel Management personnel have clerical approach more of manipulation and less of motivation. They believe no work is complete unless paper work is finished.'

Most of the time, personnel officers are busy in assessments, promotions, in creating problems by circumventing established procedures and attending to representations, departmental enquiries, etc. work culture is not developed.

3. Attitude :

Managers, Executives behave more as bureaucrates (bosses) than as industrial leaders. Managers try to behave as if they are indispensible and do not train systematically their subordinates.

4. Confidential Report :

'Confidential Report System is not practical - it is filled at a time, no adverse remarks are made and if made, not communicated - Improvement of an employee is seldom attempted.' Assessment procedures should be changed in quantitative form and / policy made known to all.

5. Delegation of Powers :

Proper delegation of power does not exists. Further powers as subdelegated are not exercised specially when any'chargesheet' is to be issued or delicate decisions are to be taken. Many a times decisions are made fate accompli .

6. Projected Personnel planning :

"Concept of projected man-power planning is non-existent." However, the requirement of graduate apprentices are broadly compiled after getting requirements from individual sections and adhoc decisions are taken.

7. Job satisfaction :

Most of the workers said, "we satisfy our stomach". It is for managers to see for our job satisfaction, for which they do not bother. Few officers and supervisors did say, 'we find pleasure in work.'

8. Interactions and communications :

Everybody is busy in his own job. If there is no job, he is busy in gossiping. There is very very little interaction between workers and supervisors, and supervisors and engineers. The concept of team work is not flourished. Company's objectives and policies are not known to all.

9. Punishment for inefficiency :

"There is hardly any punishment for inefficiency. Sometimes, promotions may be defered for a short period if inefficiency is with indiscipline." The general impression is neither virtues are rewarded nor wickedness punished.

10. Mutual confidence :

'There is a general lack of confidence in each other.'

11. Assessment :

"There is a mixed system of assessment. Sometimes, paper assignment, sometimes interviews. Basis on paper is seniority cum-merit but it is seniority-cum-favouratism - merit is seldom considered."

12. <u>Promotion Policy :</u>

Promotions are given by upgrading posts without any change in responsibility e.g. Personnel Manager, after 3 years of service is promoted to Manager (Personnel) in next scale so also Materials Manager, Finance Manager, Administrative Manager and further upgraded to Senior Managers. Relevance to organisation structure and vacancy of post does not exists. If people are to be promoted, posts are manipulated or upgraded. This causes imbalance in employment mix relative position and cause frustration.

Promotion and salaries seldom works as a motivating force. Rather if not promoted after eligibility period, employee get frustrated, demotivated. Therefore promotions upto middle management level are given to make employee work at original tempo and efficiency. This is because of the 'culture of promotion' cultivated by the Chief Executives and HOD's under their authority.

The increase in number of employees of the company falling under section 217 2A of the Companies Act 1956read with companies rules 1975 - for the identified enterprises as given below* will testify the conclusion.

FCI	...	112 in 81 to 484 in 85
HFC	...	105 in 81 to 411 in 83
NFL	...	70 in 81 to 456 in 84
RCF	...	42 in 80 to 554 in 84
		953 in 85

Note: Number of other years was not available in annual report.

There is no new appointment. All are promoted employees.

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* Interfirm comparison of plants - BPE 1985.

In public sector there is neither efficiency criterion nor tests for promotions. Question of availability of posts also, many a times, does not arise, as multiple posts to take care of upgradation of existing incumbents, are created. This is 'IE promotion culture', "Promotions take place on mass scale in senior positions, as well, even in loss making companies"[1] like FCI and HFC and sometimes at an accelerated rate causing imbalance in other enterprises. This is not so in the Government or the banks etc. For example in Accountant General's Office, unless clerk passes departmental examination of subordinate accounts service (SAS), he cannot go beyond Assistant upto his retirement. Similarly in Bank, departmental examinations are prescribed with minimum qualification, for promotion **to** selected stages. In railways also there are separate cadres. Policies of respective departments are made known to all employees and there is very little grumbling on this score.

This promotion culture, **coupled** with security has resulted in stagnation and has adversely affected. vitality of the enterprise and operational efficiency.

1 Morarji Desai - inaugural address - National Convention of Public Sector 1979.

13 Overtime :

Workers often make a case for overtime to complete the job or otherwise. One jokingly remarked that "we are given pay to attend office, O.T. is for actual work". Management fixes percentage of OT as a control and workers demand it as right whether work exists or not. The extent of overtime payment for some plants of identified enterprises is given below:

Table-46 DISTRIBUTION OF OVERTIME AS PERCENTAGE OF WAGES *

PLANT.	1981-82	1982-83	1983-84	Average of 3 years.
FCI Sindri	20.40	12.67	17.61	17.89
HFC Durgapur	38.00	16.23	35.60	29.93
HFC Barauni	51.84	53.79	61.40	55.67
NFL Nangal	6.56	6.02	7.71	6.76
NFL Panipat	23.12	29.30	32.44	28.29
RCF Trombay	-	23.50	31.17	27.33

From any standard and criterion this O.T. is high. Factory rules prescribes limitation on O.T. per week but this is not adhered to; Officers too have been fighting for O.T. but not yet succeeded. In RCF it was allowed in disguise during Thal project stage.

14 Security :

'Security of job is hundred percent. Even if there is a 'charge' of misappropriation or misconduct, the procedure adopted is so lengthy that it hardly proves any thing. And suspension if any, becomes 'boon' as lot of arrears are paid!

15 Training :

There is well equipped training centre in all plants for inhouse training, training of executive/engineer trainees. Few trainee engineers mentioned that

* Interim comparison of plants - BPE 1985.

"after selection and inductment to individual department, we are left on our own. Only desire to learn is to get through final assessment before regular appointment; sense of belonging is neither taught or shown". True trainees have to learn themselves but if this training is supplemented with guidance from seniors, it will be more useful to the organisation.

One manager said, "we are sent for training courses conducted by IIMs and other professional consultants" On return none of seniors care to know what we had learnt during this period which may be one to four weeks." Where is the question of utilizing the training?"

16 Motivation :

"The word 'Motivation' is nonexisting in the dictionary of the Personnel Management." Sometimes it is borrowed.

17 WORKER'S COMMITTEE.

Many employees were of the view that "worker's participation" is fake concept as Chief Executives and General Manager themselves do not want it". It is a different issue that workers are also not fairly enlightened. But "employee committee" specially for welfare programme and operating corresponding budget, eliminating overtime, promoting measures to inculcate discipline, sense of belonging, and work culture can be instituted with definite objective (para 6.5)

As would be seen the replies are subdued, do not reflect sense of belonging or hilariarity of the individual and positive nature of the personnel management.

6.3.3 MAN, MANAGEMENT AND BEHAVIORIAL ASPECT.

Behaviorial and Psychological aspects of the personnel management are totally unknown in I.E. I.E. management feels that 'any job can be done by any body if we can apparently do it?' Many a times unwanted reasons in the plant or otherwise are put as head of Personnel Department or incharge of administration department or even head of materials management. This has happened in all the enterprises. The consequence is 'Development of indifferent attitude' in officers in respective department and germination of politics.

Let the PE management realise that they can purchase a man, they can force his presence, they can ask him to work, but they cannot control his movements, his willingness and dedication to job. These have to be cultivated by inducing proper environment, interaction, interdependence, recognition, natural justice, implementation of well defined policies and above all examplary discipline by the managers and the Chief Executive.

Many surveys have shown that employees rate good treatment even higher than good wages, provided their relative position is not disturbed. "To cultivate a willing and motivated employee, engineer, manager and also Chief Executive, it is necessary that the management feels concerned about the 'man' and the 'man' feels concerned about the organisation."[1] And this is a continuous process.

6.3.4 SUM-UP.

Raw materials are carefully measured in accordance with the scientifically developed formula, methods of operations are subjected to time and motion study, elaborate instrument devices ensure quality controls, but 'human' which is the most important constituent is not properly looked after, and it may be said,

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1 David R Hamption, Charles E. Summer & E. Ross, A Webber Organisation Behaviour and the Practice of Management Glenview-III Scott - Foresman & Co. 1973.

sadly neglected in the identified enterprises. This has resulted in nonproductive and infructicious expenditures and inefficient and indifferent services as inferred from the discussions with employees. There is a strong need to consider Projected man power planning and suitable employment mix for the identified enterprises, and to eliminate/avoid excess employment at various levels, (specially for FCI & HFC). Excess staff breeds inefficiency, disharmony and ill-employment and create unknown operational and management problems and reduces profitability.

All the problems of management finally manifest themselves in the problems of personnel management, as management in thesense is not merely direction of things, but coordination of person's talent to achieve optimisation of resources. Man is 'Human Capital' and unless it is properly harnessed by job oriented, fair, objective and motivating policies and practices, optimum utilisation of materials, money and machines will never occur.

6.4 EXOGENOUS FACTORS - GOVERNMENT, PARLIAMENT AND CONTROL AUTONOMY.

6.4.1 PUBLIC SECTOR CONCERN.

As mentioned earlier, the exogenous and tertiary factors viz. Government and Parliament, have effect on the management style and in turn on the performance and profitability of the enterprises. The Public Sector has traversed long distance of 37 years and during this period, number of commissioned and committees had been formed from time to time by the Government to look into the organisational structure and review public sector policies. The last of the commission instituted was Economic and Administration Reforms Commission ("EARC") which submitted its report in 1983-84 in several parts and another Committee to review policy on Public Enterprises (Arjunsengupta Committee) submitted its report in 1985.

These reports have dealt with:

1. PE & National Planning.
2. Organisational Structure.
3. Autonomy of PE.
4. Investment approval capital budget.
5. Executives Appointment & remuneration.
6. Wage policy for PE.
7. Accountabilities of PE.
8. Role of comptroller of Auditor General.
9. Relation with Parliament.
10. Pricing in PE.
11. Price preference.
12. Award of contracts.
13. BPE guide lines.
14. Government clearances and approvals etc.

Inspite of such a concern for improvement, the Public Sector philosophy and performance have not much changed.

Thirty seven years of plan experience should be sufficient enough to warn all (Bureaucrates, politicians and executives) of the mistakes and failures of the past and pave a path with conscious efforts, to enable identified enterprises as well as Public Sector as a whole to grow and fulfill its avowed objective of secularism, socialism and self reliance. Honesty of purpose rather than intellectual debates or discussion is the call of the day.

6.4.2 GOVERNMENT, PARLIAMENT AND CONTROL.

Administrative Reforms Commission's report on public undertakings analysed the relationship of Parliament, Government and Public Enterprises into four dimensions:[1]

(i) Position of Government as dispenser of funds to the Public Enterprises;

(ii) Overall responsibility of Government to ensure that the Public Enterprises meet objectives and take corrective action in time;

(iii) Accountability of Government to Parliament;

(iv) Necessity of the periodic assessment of the Public Enterprises by the Government and Parliament.

The point often raised on PE management style, is the control by the Government and Parliament and associated constraints. Policy decisions are often viewed as 'constraints' or 'impediment'. It is felt that there should not be any doubt even by intelligentia that Government is owner and is responsible to Parliament in the Political system India is having, and therefore, Policy decisions and Controls by the Government are not only necessary but also important.

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1 PK Basu, Public Enterprises - Policy, Performance and Professionalisation (pg.10). UN Report on Measures for improving Reforms of Public Enterprises in Developing Countries (Fouad Sherf Report), New York - 1973.

In this context, let us visualise the working of the private sector. Chief Executive does not have full autonomy - he has authority commensurate with the defined objective of profitability with certain norms. Industrial relations and workers welfare is important to private sector as well. The total control (rein) is in the hands of 'Managing Agents' the owner, counter part of 'Government in Business'. Chief Executive of private sector is accountable for performance and achievement of set objectives to Managing Agents. Therefore, Government has every right to call for reports and information, review and control performance of PEs. Thus concept of control is undisputable, but manner in which this control should be exercised in public sector is a matter of concern. There seems to be great dichotomy between concept and practice.

Government has also failed to discharge its obligations satisfactorily while affecting control. One of such vital obligation is appointment of Chief Executive of the enterprise and development of level-II to take over.

In case of identified units, Managing Directors were from the old Fertilizer Corporation of India. The second incumbent in HFC, FCI and NFL were also from within the enterprise, but thereafter, Chief Executives were recruited from outside. In that process, enterprise remained topless; and as interim arrangements respective Director (Finance) was asked to look after. This creates lot of frustration and heavily affects the efficiency of the management.

Government as owner knows that Chief Executives of the various enterprises will superannuate on such and such date and should take immediate action to see that before he retires, alternate arrangements are made. Ideal situation would be that would be Chief Executive is positioned atleast six months before retirement of the Chief Executive so that former gets through with the enterprise and can take over immediately after the retirement of the Chief Executive.

In this connection as back as 1976 National Convention on Public Enterprise had concluded that "the Chief Executives and other senior officials of the Public Enterprise pay special attention to the grooming of their successors in order that managerial experience may not suffer on account of lack of continuity and wide disparity in the managerial talent between successive sets of management."[1] This is not followed, who is responsible - Chief Executive and Government. Chief Executive till last day remains in hope of getting extension and does not groom successor or forces the Government for successor. Bureaucrates also finds it convenient to delay decisions on filling up the posts of Chief Executives.

6.4.3 GOVERNMENT INTERFERENCE.

What is resented by executives and intellectuals is the excessive authoritative control by bureaucrates which results in interference in day-to-day working and sometimes forcing a decision. Direct interference also take place but not a common feature. EARC Report No.4 has even mentioned while talking of interference that "there are telephonic calls from Politicians and Bureaucrates to favour, in promotion, in appointment or in award of contract." This is to stretch 'interference concept' too much. Do Chief Executives themselves do not favour contractors or appointments or promotions?

The problem actually is two way - the attitude and working style of those sitting in South and North blocks and the delay in decisions in the Government and corresponding effect on working style of PE management, and the attitude and approach of the Chief Executives and their anxiety to build up rapport with Secretary for obvious reasons. Mr. P.N. Devarajan Ex-CMD, Hindustan Organics and Chemicals Ltd. who delivered presidential address on National Seminar on Autonomy of PE said "I have no problems with Government, Directors and with my Secretary, may be that HOC makes profits. May be that interference is with inefficient management."[1]

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1 Laxminarayan - Autonomy of Public Enterprises - SCOPE-1982. pg. 11,20

6.4.4 ACCOUNTABILITY.

It is also said that audit by CAG and explanation sought for by CAG and the Government, deters the decision making process in PE. This is not correct. Public Sector is Public and public funds are involved. Working discipline is necessary to avoid misuse of public funds and enforce uniform practices. This should not haunt the executives. They should be in a position to explain their actions. In private sector also accountability exists. "The management of PE should become conscious that they are trustees of the Public and they are working for the public and good accountability would be obvious.[1]

6.4.5 AUTONOMY.

Arjun Sengupta Committee recommended:

"The autonomy of Public Enterprise consists in the ability of its management to exercise the freedom of action in day-to-day operation, in taking all decisions affecting their performance, without being restrained by any external authority, such as the Government. It should, however, be recognised that in our situation there are some inherent limitations on this autonomy.

First, the Government of India is responsible to Parliament and if questions are raised in Parliament about the policies, performance and operation of any Public Sector Enterprise, the Minister has to provide answer and accept the responsibility for the functioning of that enterprise. Because of this accountability to Parliament, Public Enterprises cannot be completely free from governmental scrutiny, not only of their general policies but occasionally also of some aspects of their day-to-day operations, where some lapses or abuse of public funds may be involved. Parliament's authority in such matters is supreme but it may be necessary to evolve a convention by which Members of Parliament accept some self-imposed restraints on the nature of questions they ask."

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1 Morarji Desai - Inaugural address at National Convention of Public Enterprises - Public Sector - An introspection - 1979 - SCOPE.

Arjunsengupta Committee in the same report has also mentioned that 'as all we know Chief Executives of PE yield enough authority. EARC has also opined in the same way. (It is also not understood why two committees deal with the same subject.) No doubt Government as owner and its Secretaries have to be very precise and clear in their guidelines and controls.

From the discussions I had with the Managers and employees of the identified enterprises, it is explicitly clear that as far as operation of the plant is concerned, the Chief Executive has autonomy. Rather the limitation, if any exists, is the sub-delegation of the authority and exercising of authority. It is felt that EARC and Arjunsengupta have blown the concept of autonomy out of proportion, as if it is autonomy only, which infuses efficiency in the Chief Executive. "An agile executive will not surrender to the Government whereas inefficient one, who frequently commits derilictions, has no option but to run to the Secretariat".[1]

If the Government as 'Owner' does or cannot steer and control the Public Sector towards better performance, it is Government's failure. What is the guarantee that Chief Executive with full autonomy and without accountability will do?

To be through with basic concept of Autonomy, responsibility authority and accountability - what we need is Managers, who are professionally competent and ideologically dedicated to the cause of the Public Sector ('Dedication is significant'). How many we have ? Let us not live in idealist's paradise.

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1 Narain Laxmi - Autonomy in Public Sector - SCOPE pg. 20

British Management expert, Mr. Geoffrey Mills observes on Public Sector that 'until the policies and objectives of the Nationalised Industries have been defined, their activities sensibly limited, their plans consistently maintained, irrespective of policies, and until the roles of Ministers, Chairman and Boards are similarly defined and maintained, these industries will continue to drag down the average National performance'.[1]

6.4.6 <u>SUM-UP.</u>- <u>MEMORANDUM OF UNDERSTANDING.</u>

Chief Executives do not exercise their authority whatever they have, Government and Parliament exercises excessive controls tentamount to interference and accountability though on paper, is diffused. All this has affected the overall management efficiency which, in turn, has affected performance and profitability. Predetermined autonomy for Chief Executive, proper pragmatic objective control by the Government and Parliament and accountability of Chief Executive are necessary, but the manner in which these are being exercised requires revamping with clearly defined National objectives for each enterprise, responsibilities of the concerned secretary and corporate objectives of the enterprise and responsibilities of the Chief Executive.

The need of the day is to change the attitude of the bureaucrates, executives and parliamentarians. They should realise that they are 'trustees of the public'. Secretary while controlling should play a supportive role and executives a primary role, and parliamentarins should show elder brother's advisory role to enable PE to perform well. Chief Executive and the Secretary of controlling Ministry should realise that their roles are supplementary to each other. And specific but few precise

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1. RK Nigam - Towards vibrant Public Sector - 1.45.

norms and controls by the Minister concerned should be instituted to see that the two work as a team dedicatedly for specified goals. For this purpose, National and Corporate objectives should be clearly defined and memorandum of understanding (MOU) should be drawn between the Secretary and the Chief Executive, Chief Executive and the Minister, and Government and the Parliament. MOU must have sanctity, direction of an Act and should not change from Sectetary to Secretary and Minister to Minister. A system, institutional arrangements and conventions should prevail, which would help to improve performance and profitability of the PEs.

CORPORATE OBJECTIVES.

Corporate objectives are the goals, aims or purposes that executives, managers and administrators wish their organisations to achieve over varying periods of time. Corporate objectives may be of two types namely primary objectives and collateral objectives. The primary objectives are all the activities which are directly concerned with producing and selling goods and services at a profit. For example, survival, growth, economic contributions and profit-making are the major primary objectives. The collateral objectives are the subsidiary objectives necessary to carry out the primary objectives and are concerned with the employees. Their interests and job satisfaction, means of motivating them and their personal aspects. For example, creation of job opportunities, providing economic and financial benefits, civic right and recreation facilities to employees and providing opportunities to executives to take part in community affairs are the major collateral objectives.[1]

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1 McFarland, D.E. Management: Principles and Practices, Macmillen Co. - New York, Op. Cit. pg. 175.

For the identified enterprises in the Public Sector, Primary objective should be:

1. Capacity utilisation at specified norms - e.g.80%.

2. Profitability at specified rate - e.g. 12%.

Collateral objectives could be:

a. Creat congenial environment for employees (workers and Managers).
b. Persue uniform objective policies.
c. Provide motivation and incentives to employees (not always monetary).
d. Develop career opportunities and programmes for management development.
e. To institute a system of communication, interaction between employees so that they know all about their plant affairs.
f. To introduce employees participation by forming 'work's committee' specially for 'social overheads' and policies concerning employees."

Government as 'owner' should set standards for above objectives. Once standards are set, system of day-to-day guidelines by circulars should be completely withdrawn and plant performance reports only called on predetermined basis say monthly.

The Government must have expertise to scan the reports and provide timely support decisions to the Chief Executive in solving his problems and limitations in the plant performance, specially due to exogenous factors concerning various government agencies.

Besides memorandum of understanding, which may help to some extent, there is a need to develop 'Public Sector' Culture (8.3) to make Public Sector vibrant to fulfill the aspirations of prosperity of Shri Jawaharlal Nehru, the Architect of modern India, - and aspirations of welfare of masses of Mahatma Gandhi - the father of the nation.

6.5 OTHER EXOGENOUS FACTORS.

6.5.1 UNION.

Each enterprise has 'Worker's Union' affiliated to Central Federation. A worker is one, whose basic salary is below Rs. 1600/- per month. Proportionate number of workers in HFC & FCI are more while in RCF and NFL less. This has significance in their strength. In the organised sector, Public Sector union are the largest exploiting chunk.[1]

It is sometime felt that why Public Sector should have 'Union' ! Unions in Private Sector came into being as the owner of the private companies used to victimise and exploit employees and kept maximim profits for themselves. While in the Public Sector, 'profits' if any goes to exchequer. Nobody including Chief Executive shares the profit. This issue of union, again has political bearing and has not been dealt with earlier by any commission. But this has important bearing on the Public Sector Philosophy and performance.

Union demands are never ending, right from pay increase to promotions, better uniforms, high washing allowances, too costlier canteen facilities, increased travelling allowance, etc. Many leaders have political patronage. Many a times, Unions press their demand to an extent which leaves the management in a difficult and sometimes helpless situation and in this process much harm is done and productivity and profitability further reduces. Such losses cannot be measured and recouped. I will cite two examples, how identified enterprises management decides;

Case No.1 :- Central Government for certain reasons decided to go in for "Five day a week" with adjustment of working hours. It was not obligatory for Public Enterprises to have five day a week. But due to pressure from employees, Public Enterprises Fertilizer Units had to accept the demand for five day a week first in Delhi, then in other regional offices, even in factory offices.

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1 Public Sector in National Economy - CMIE -Jul.83-pg.20

This approach has in practice reduced workinghours for office staff without any corresponding increase in efficiency and affected morale of factory workers. The result is less productivity and more delays on official procedures and decisions. In engineering language, it is a "direct man hour loss". It would be worthwhile to mention that certain enterprises who have developed their own philosophy of management like Bharat Heavy Electricals, IPCL did not opt for five day a week.

Case No. 2:- RCF, as a modern management, decided to provide uniforms to all workers and officers in 1980-81, since it had shown profits. It is good and the management also saw that everybody put on the uniform while on duty, CMD too followed the practice.

Employees of other Fertilizer units also started demanding uniforms and finally got through. FCI and HFC who are chronic losers also distributed uniform. The expenses per employee comes to almost Rs. 1000.00 and total expenses on this account alone comes to Rs. 13 millions approx. for FCI for every two years. What industries got out of this expenditure? What incentive it provided to employee? The said part of the story is employees do not come in uniform.

The difference between RCF and FCI/HFC is that RCF management provided this facility and enforced practice which atleast inculcated discipline, but in case of FCI/HFC, the decision was forced on management, management could not enforce any discipline.

Mrs. Gandhi whileinaugurating the first National Convention of Public Enterprises in 1976 has said "Especially in a Public Enterprise, there should be no caste, no barrier between workers and executives, engineers, technicians and supervisory staff. All should work for the common goal of increasing production, of improving the quality of the goods produced and of serving the country".[1] (This is far from the existing practices).

There is also the lackadaisical attitude of the political leadership in curbing irresponsibility and indiscipline in the staff, labour force employed in the Public Enterprises. In fact, its attitude is more pro to the latter than the one which is appreciative of the view point of the management and that of interest of the Public Enterprises, in regard to, raising of levels of productivity and capacity utilization.

General feeling of the worker is, he has right for over time, right for liberty to work or not to work, right for additional benefits - while Management has no right to even terminate services of even one worker who creates problems or spread indiscipline or is inefficient.

Adml. Krishna Dev, CMD, Garden reach in deliberation of National Convention on PE 1976 said "I find that it is not the employers but the trade unions, who are exploiting the labour. The trade union activity must be controlled."

On personal discussion with Senior Officials of various plants, it was revealed that:

a) Top management is often busy in dealing with union demands and created personnel problems and have proportionately less attention for planning of production activities. They generally buy industrial peace for a while during their stay.

b) Managers at plant level have similar problems. Union leaders and executives often do not work and exploit the situations - insist for overtime etc.

c) On flimsy grounds, employees go on 'work to rule' approach.

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1 Public Enterprises in National Economy 1976 - SCOPE

d) Since employees have no 'Fear' and they know neither virtues will be rewarded nor wickedness punished, most of them often 'take it easy' approach.

e) Maintenance time is manipulated to get overtime.

f) There is a general lack of involvement and concern of an individual and group for the undertaking.

g) Cost conscious hardly exist in most of the employees.

'Union' is strength and its role has adversely affected smooth and efficient management. The need is to mobilise this strength for a common goal as said by Mrs. Gandhi.

People at lower level should feel involved because ultimately it is not merely judging efficiency of the Chief Executive or a group of Managers, the Company as a whole is to be judged. At some stage or the other, almost everyone participates in the task. And unless everyone down the line stands committed to give the highest quality, it will not be possible to achieve the right kind of standards and performance in the Public Enterprises. Chief Executive has to play a dedicated role in this respect in an examplary manner. Suffice it to record, "Army is disciplined because Commander is disciplined".

PARTICIPATIVE MANAGEMENT.

Participative Management often talked for PE can be implemented in true spirit to mobilise and channelise the strength ofunion, specially in operating'social overhead budget' which requires 'common sense' not 'technical sense' and inculcating team spirit. There are other fields too.

"Probably, the Trichy Plant was one of the few plants in the country where workers' committee was given life. General Manager Krishnamurthy took personal interest in each and every workers committee meeting. Every agenda item was given importance and he converted this so called Work's committee into a Decision Making Committee.[1]" This was possible because of honesty of purpose and dedicated spirit of the manager.

To make participative management a success, modus-operandi should be developed, if necessary under suitable act, so that:

a) Union becomes a "Employee's Union" and outside interference and leadership is eliminated,
b) Scope of activities of union and its parameter are defined,
c) Code of conduct for union is established, and
d) Conciliation Boards are set up to resolve dispute, if any.

This will pave a way for better performance, higher productivity and profitability of the PE.

'When people are concerned, the real problem is not to get them work harder but work more effectively. Here the key is trade union leadership, which in the past has been largely restrictive'but can be channelised to 'constructive'. The employee will give his best only if he is identified himself with the working enterprise and develop a sense of pride and loyalty.[2]

6.5.2 LOCATION.

The Plants of the identified enterprises are located in region (page-28) as under:

FCI	...	...	East & Northeast South
HFC	...	...	East
NFL	...	...	North
RCF	...	...	West
MFL	...	...	(South for comparison)

1 Prof. Nitishde - Public Sector in Indian Economy-SCOPE 1976

2 Lewis W Arther. The Theory of growth (George-Allen & Urwin, London.

From the performance datas on capacity utilization (Table-5, 26), consumption norms (Table-20), breakdown analysis (Table-24), it is noted that operational efficiency of the plants in Northern and Western regions are better than the plants in Eastern region. This can, to some extent, be partially attributed to 'work culture' of the people in each region. CMIE records, "with regard to the Public Enterprises, we should understand that there is one adverse factor about which perhaps not much can be done and which nevertheless does adversely affect the profitability. This is location factor. The labour situation, the general, social and the political situation is extremely unfavourable in Eastern region".[1]

Effect of locational factor can be minimised and work culture improved by the objective management practices and regarding workforce as an integral part of the system and an important constituent of the production. Mr. P.C. Luther did put this concept in practice at DVC, Durgapur and showed results, Haldia Refinery and plants of Hindustan Levers are operating well at Haldia.

While on location, it may be mentioned that proximity of office or Corporate Office to the plant sites also has an impact on working of the enterprise. NFL Plants (at Nangal, Panipat, Bhatinda) are located within few hours of reach from head office at Delhi. This has enabled CMD of NFL to make monthly visits to plant sites which has helped in solving problems expeditiously after examining the issues on the spot, boosting up morale of the employees and plant management and ensuring good industrial relations. Similar is the position of RCF. But in case of FCI & HFC Head Office is at Delhi and the plants are located in East, Northeast and Southeast. This has rather restricted regular visits of CMD to plant sites and the achievements thereof.

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1 Public Sector in Indian Economy - CMIE - Nov.86-Pg.205.